

# OPERATIONAL ASSESSMENT AND IDENTIFIED EFFICIENCY OPPORTUNITIES

INDIANAPOLIS PUBLIC SCHOOLS

August 21, 2018



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# 1 Executive Summary

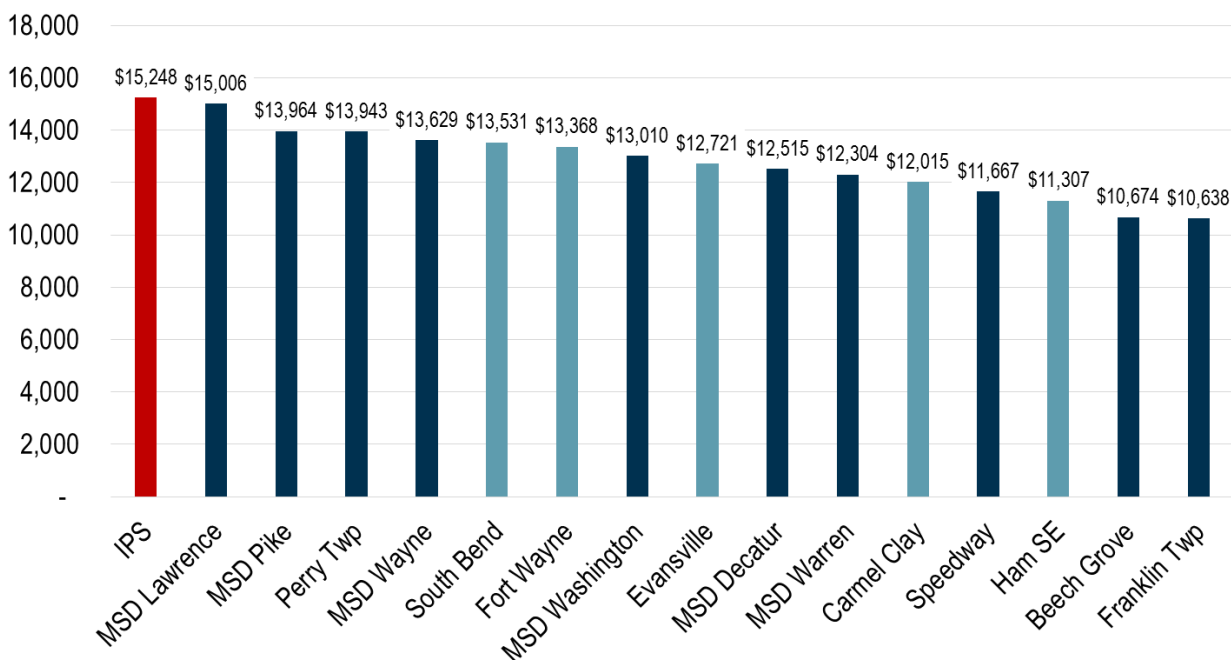
## 1.1 Introduction

Beginning in late March 2018, at the request of the Indy Chamber (the “Chamber”), a team comprised of Faegre Baker Daniels Consulting (“FBDC” or “Faegre”) and Policy Analytics, LLC (“PALLC”) consultants (collectively the “Project Team”) worked collaboratively with Indianapolis Public Schools (“IPS” or “the District”) personnel to identify and quantify opportunities for **operational efficiencies that would drive more resources to the classroom, significantly increase salaries for teachers and principals, and also protect the interests of taxpayers.**

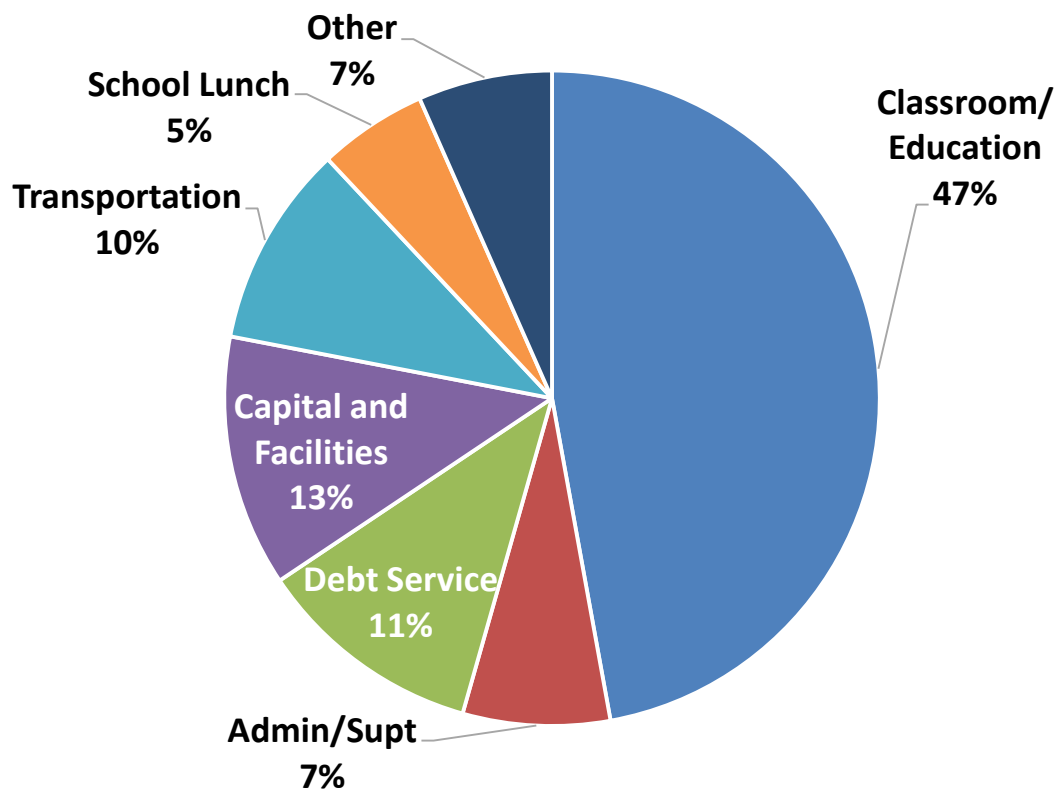
Throughout this process, the relationship between the Chamber, the Project Team, and the IPS administration has been professional and productive. In fact, many of the most compelling efficiency options included in the transformation models described herein come from discussions with IPS leaders who recognize the challenges that the District faces and who are thinking creatively about how to address them.

## 1.2 Current Financial Status of IPS

As of 2016-2017, IPS was well-funded on a per pupil basis in comparison to other Central Indiana school districts and other large school districts throughout the State:<sup>1</sup>



An analysis of the broad categories of IPS expenses follows:<sup>2</sup>



### 1.3 The Operational Assessment Process

Over the course of this project, the Project Team has:

- Conducted interviews with more than 50 IPS senior executives, operational leads, teachers, educational experts, and community stakeholders (see **Appendix A**);
- Requested and reviewed more than 100 documents from IPS;
- Toured multiple IPS facilities and spoken with principals and teachers;
- Conducted a wide review of best practices research from other urban, choice-rich districts (e.g. Denver, Detroit, New Orleans, and Washington) on issues related to facilities and transportation;
- Reviewed previous IPS-commissioned consulting studies on issues such as budgeting and the development of innovation network schools;
- Reviewed multiple articles by academics and non-profit educational think tank sources highlighting research and trends related to school operations and outcomes;
- Analyzed financial, staffing, and enrollment data – and developed quantitative models to reflect past and future trends;
- Reviewed IPS’ proposed list of capital referendum projects;

- Considered approximately 20 key operational areas in which efficiencies could have the most significant impact for IPS;
- Identified more than 50 potential efficiency options for consideration;
- Reviewed ideas with IPS staff and Board members and incorporated their input and modifications;
- Prepared a draft comprehensive operations assessment including all findings and options identified for IPS' consideration;
- Made multiple presentations regarding the efficiency ideas to cohorts of IPS leadership and collected their feedback;
- Identified efficiency ideas deemed too aggressive and/or infeasible for IPS implementation and discarded them;
- Developed and refined separate eight-year financial projection models representing baseline, Chamber and IPS approaches for pursuing efficiencies;
- Assessed what the Chamber and IPS models would each require in terms of an operating referendum; and
- Modeled the impact of the operating and capital referenda that would be required under each proposed model on various classes of IPS taxpayers.

## **1.4 Key Areas of Focus and Findings**

The Project Team examined about 20 general operational areas within IPS, but the most impactful efficiency options centered on a smaller number of areas where most of the meaningful savings could be achieved. Some of those key areas – with relevant findings – included:

### **1.4.1 Teachers and Principals**

- Within the school, research indicates that the quality of teachers and principals has the most impact on students' educational outcomes.
- IPS teacher and principals are underpaid relative to their peers at other large school districts in the region, especially at the mid-career and late-career levels.
- IPS loses about 25% of its teachers each year to attrition.<sup>3</sup>
- Other urban districts are having some success in improving teacher retention through the use of data analytics tools.
- Research indicates that teacher quality is a more important factor in academic outcomes than is a slightly lower student/teacher ratio.
- IPS has a lower student teacher ratio (11.2 to 1)<sup>4</sup> than other large school districts in the region. If IPS slightly increased the ratio through attrition, meaningful savings could be achieved.

### **1.4.2 Transportation**

- IPS spends about 10% of its total budget (more than \$40 million annually) on transportation.
- IPS spends \$7-\$10 million more on transportation each year than the amount of money it receives from local property taxes to pay for transportation.<sup>5</sup> Those funds are taken from education-specific uses to provide transportation services
- IPS already uses a private contractor for about two thirds of its standard routes.

- As of February 2018, the budget for transportation services was expected to rise by more than \$5 million annually by School Year (“SY”) 2025-2026.<sup>6</sup>
- In April 2018, IPS announced changes to the transportation system for SY 2018-2019 that would result in savings of approximately \$1.5 million annually by reducing extracurricular trips, field trips and after-school activities.<sup>7</sup>
- IPS provides more service and spends more on transportation per student than other school districts that also offer school choice, such as Denver and Detroit.<sup>8</sup>
- Many other urban school districts rely on public transportation to transport older students.
- Some charter schools in Indianapolis already partner with IndyGo for high school student transport.
- IPS is working with IndyGo on a pilot program for high school students at Shortridge High School and a smaller pilot for Tech High School. If expanded, IPS could shift significant numbers of high school students out of yellow bus service

#### **1.4.3 Facilities**

- IPS spends about 13% of its total budget on facilities and capital.
- IPS owns about 8.4 million square feet of facilities.
- IPS has facility capacity for about 43,160 students, but it will have an expected enrollment of 31,429 students in IPS school buildings in 2018-2019.<sup>9</sup>
- IPS’ inventory of buildings has a median age of 56 years.
- Even with just four operating high schools, IPS expects the average utilization rate of those facilities to be approximately 69%.<sup>10</sup>
- Broad Ripple High School is an in-demand facility with high interest and substantial market value based on an immediate, time-sensitive opportunity.
- If IPS shed significant, unused school building capacity, dramatic savings could be realized.

#### **1.4.4 Central Office and Other Non-Academic Staff**

- Approximately 52% of the District’s 4,397<sup>11</sup> employees in SY 2017-2018 are not teachers.
- Autonomous schools that rely less on central office functions educate a growing proportion of the District’s students.
- There are about 344 individuals who could be classified as filling central office-type positions.
- There is no individual within the IPS administration whose sole job is to focus on completing operational efficiency projects.
- A prior IPS-commissioned consultant study projected that a significant reduction in central office staffing was possible as the District develops more autonomous schools.<sup>12</sup>
- The District has about 35% more custodians than its peer school districts based on data from a prior IPS-commissioned consulting study.<sup>13</sup>
- Reducing central office staffing as the District moves to more autonomous schools results in significant cost reductions,

#### **1.4.5 Employee Healthcare**

- The District’s current healthcare plan spending is about \$35 million per year.<sup>14</sup>

- The District projects that the cost of healthcare will grow by 8% annually for the next eight years.<sup>15</sup>
- If that trend were to occur and the total number of IPS employees remains constant, the District would be spending an average of almost \$15,000 per employee by 2026.
- There are tested strategies that organizations have used to reduce the rate of increase in the cost of healthcare while maintaining its quality.

## 1.5 Proposed IPS Operational Changes and Projections

The multiple rounds of discussions between the Chamber and the IPS team about the financial projections associated with each other's proposed changes to IPS operations were fruitful, adding to the Chamber's understanding of the District's challenges and increasing the accuracy of the Project Team's savings estimates. As a part of the discussions, the District's proposed capital referendum amount was revised from approximately \$200 million to \$52 million over eight years, focusing only on those projects that are necessary for school, staff and student security.

The parties ultimately reached agreement on a \$220 million operating referendum for IPS, including the estimated eight year positive financial impact associated with the various efficiency options as described in Section 4 of this document and summarized in the table that immediately follows:<sup>16</sup>

### Eight Year IPS/Indy Chamber Modeling Outcome - Rev. 7/24/2018

*Combined Annual Net Operating Surplus (Deficit) in  
Education and Operations Funds;  
Dollars in Millions*

Fiscal Year	\$220M Referendum
<b>A Baseline (no modeled efficiency options or investments)</b>	<b>(\$318.7)</b>
<b>Savings and Efficiency Options</b>	
<b>B General Efficiency Options</b>	\$55.0
<b>C Additional Modeled Savings</b>	\$8.6
<b>D Transportation Savings</b>	\$111.2
<b>E Central Staff Savings</b>	\$19.2
<b>F Custodial Savings</b>	\$18.5
<b>G Excess Facility Capacity Savings</b>	\$71.2
<b>H Broad Ripple High School Revenue</b>	\$4.5
<b>I Teacher Position Savings</b>	\$40.0
<b>J Summation of Efficiency Options (Sum B-I)</b>	<b>\$328.2</b>
<b>K Baseline + Efficiency Options [A+J]</b>	<b>\$9.5</b>
<b>Educational Investments</b>	
<b>L Teacher and Principal Salary Increases</b>	<b>(\$229.5)</b>
<b>M Adj'd Baseline + Efficiency Options + Ed. Investments [K+L]</b>	<b>(\$220.0)</b>



The specific changes to the current IPS operating model that are represented in the above model are described below, identified by the line letter in the financial projection above. The particular savings and timing associated with each of these efficiency options can be found in Section 5 of this document.

Line	Summary Description	Detail	Justification
A	Baseline	The Baseline incorporates the IPS 8-year financial projection presented in February 2018. It assumes a 1% annual increase in the per student revenue received from the State of Indiana. It includes several minor revenue adjustments provided by IPS since the original projection. The Baseline projects a \$318.7 million cumulative deficit for IPS over the next eight years if no operational changes are made beyond those previously announced by IPS.	The 1% annual estimated increase in per student revenues from the State is consistent with the general approach taken in similar financial projections developed for Indiana school districts.
B	General Efficiency Options	Reduce non-school administrator positions.	Some non-school Certified Administrator positions should be reduced in order to direct more resources to the classroom.
B	General Efficiency Options	Contract out the remaining IPS nurse positions beginning School Year 2018-2019.	IPS already contracts out for some of the nurses it needs at a substantial savings per position.
B	General Efficiency Options	Capture savings from reducing teacher attrition rates.	Significantly reducing the annual rate of IPS teacher attrition (currently approximately 25%) through increased pay and the use of data analytics approaches should lead to savings in IPS teacher recruitment and training costs.
B	General Efficiency Options	Transition IPS' telephone system to Voice over Internet Protocol ("VoIP").	Reducing telephony costs by transitioning to VoIP technology is a proven efficiency and service improvement strategy for large organizations.
B	General Efficiency Options	Implement healthcare self-insurance for IPS.	Organizations the size of IPS can achieve significant savings through healthcare self-insurance, and IPS will soon have the claims history in place to do so again.
B	General Efficiency Options	Expand IPS employee health savings account ("HSA") usage.	Incentivizing and increasing the use of HSAs is a proven strategy to reduce the rate of healthcare cost increases.
B	General Efficiency Options	Implement a managed print services ("MPS") contract.	Reducing print and copy costs through a contract with an MPS provider is a proven efficiency strategy for large organizations.

Line	Summary Description	Detail	Justification
B	General Efficiency Options	Secure for general use by IPS the value of its \$17 million food service balance by way of a waiver from the Federal government.	A waiver for the use of this account balance could be secured from the Federal government.
C	Additional Modeled Savings	Achieve prescription drug savings through rebates.	Per IPS' benefits provider, this is an existing industry practice resulting in significant prescription cost savings for large organizations.
C	Additional Modeled Savings	Contract out for IT desktop support.	Reducing IT desktop support costs through a specialized provider is a proven efficiency strategy.
C	Additional Modeled Savings	Secure net revenue from selling the IPS central administration building.	IPS is in the process of ascertaining market interest in the facility and a low-end estimate of the value of the facility has been modeled.
D	Transportation Savings	<ul style="list-style-type: none"> <li>Phase out "yellow bus" service for high school students by the 2020-2021 school year;</li> <li>Provide high school students with IndyGo bus passes;</li> <li>Contract out for all remaining IPS "yellow bus" services;</li> <li>Expand IPS walk zones by 50%;</li> <li>Identify and then cull unnecessary stops; and</li> <li>Reduce extracurricular and after school bus service.</li> </ul>	Each of these efficiency options is a practice currently in place in various other urban, choice-rich districts. The planned expansion of IndyGo service over the next few years and the central location of IPS high schools should enable wider IndyGo usage for IPS high school students. Contracting out remaining IPS "yellow bus" service offers some savings versus in-house provision. IPS walk zones are comparable to some cities but less than others. Other communities (such as Boston) have had success in reducing unneeded bus stops by simply verifying the absence of a need. The level of extracurricular and after school bus service that IPS provides indicates opportunity for further efficiencies without negatively impacting educational outcomes.
E	Central Staff Savings	The projection reduces central office staffing by 30% over the next 8 years.	IPS' move towards autonomous schools naturally reduces the number of positions needed at the central office. A prior IPS-commissioned consulting study indicated that a 50% reduction in central staff was an appropriate target given the District's strategic direction towards more autonomous schools. IPS has reduced the number of central office staff by about 7% per year over the last two years.
F	Custodial Savings	Based on the Project Team's research, IPS will implement a 26% reduction in the total number of custodial positions in School Year 2018-2019.	A prior IPS-commissioned consulting study reported that the median among peer schools is 7 custodians per 1000 students and IPS' is approximately 9.5 per 1000 students. <sup>17</sup>

Line	Summary Description	Detail	Justification
			Applying the peer ratio to IPS and allowing for some additional custodians given the size of IPS' facility holdings makes 26% an appropriate reduction.
G	<b>Excess Facility Capacity Savings</b>	The District has approximately 8,600 seats more than it needs to accommodate current and future projected enrollment in IPS buildings. The model includes IPS capturing 70% of the total potential estimated savings in operation and maintenance costs from disposing of excess seat capacity in beginning in year 2021-2022, the functional equivalent of reducing IPS' number of excess seats by about 6,000.	To accomplish a District average of a 90% utilization rate at IPS facilities, IPS' seat capacity should shrink to approximately 34,560. This would be a reduction of approximately 8,600 seats. Delegating the disposition of excess facilities and real estate to a professional organization tasked with accomplishing this may bring results beyond what IPS staff would be able to achieve given their other responsibilities. No estimate of any potential incremental net revenues from the disposition of IPS facilities is included in the model.
H	<b>Broad Ripple High School Revenue</b>	The model includes an estimate of \$4.5 million in revenue from the Broad Ripple High School Facility.	Indications are that a majority of area residents and local political leaders desire the property to be used for educational purposes. While a recent, time-sensitive opportunity for such use has been publicly discussed, IPS has indicated it will undertake a process that will preclude one element of the current opportunity from coming to fruition.
I	<b>Teacher Position Savings</b>	The projection includes a one-time reduction in the number of teaching positions by 5% (through natural attrition).	The projection reduces the number of teacher positions by 5% entirely through natural attrition. IPS reported 23,981 students and 2,140 teaching professionals in February 2018, equating to a student/teacher ratio of 11.2. <sup>18</sup> A reduction in the total number of teachers by 5% means that the new IPS student-teacher ratio (approximately 11.8 to 1) would still be about two students below the average ratio (approximately 13.9 to 1) of the other large Indiana school districts that IPS views as its peers (e.g. Pike Township, Wayne Township, Fort Wayne, Evansville-Vanderburgh) and IPS' own ratio of 12.1 to 1 as recently as SY2015-2016. <sup>19</sup>
J	<b>Summation of Efficiency Options</b>	This represents the total impact of all efficiency options recommended (Sum of B thru I).	N/A
K	<b>Baseline + Efficiency Options</b>	This represents the revised Baseline net of all of the recommended efficiency options (A+J).	N/A
L	<b>Teacher and Principal</b>	IPS teachers and principals should receive raises from	Nothing that IPS controls is more important to educational

Line	Summary Description	Detail	Justification
	<b>Salary Increases</b>	a planned salary increase pool of \$229.5 million, enabled by savings from agreed to efficiencies. All IPS employees (including teachers and principals) should receive 2% annual raises throughout the 8-year period from this same pool.	outcomes than teacher and principal quality. IPS remains at the low end of the compensation market compared to regional peers, especially for mid-career and the most experienced teachers. Additionally, all innovation schools which are part of the IPS system should share a proportionate amount of the salary increase funds, understanding that the leadership teams of those schools have the sole authority to make the compensation decisions. Increasing IPS teacher and principal salaries without providing resources that would allow non-LEA innovation schools to do the same would put those schools at a competitive disadvantage when seeking to attract and retain quality teachers and principals.
<b>M</b>	<b>Adjusted Baseline + Efficiency Options + Teacher and Principal Salary Increases</b>	This represents the revised Baseline net of all of the recommended efficiency options plus the educational investments (K+L).	N/A

## 1.6 Taxpayer Impact

The estimated impact of the combined \$272 million referenda (\$220 million in operating and \$52 million in capital) is as follows:

### Illustrative Impact of \$52M Capital and \$220M (Cumulative) Operating Referenda

Market Value (Gross AV)	Current Taxes		Illustrative Referendum Amount					
	Net AV	Current Tax Liability	\$52M Capital (Rate: \$ 0.0332)		\$220M Operating (Rate: \$ 0.1960)		Cap + Op Ref. (Rate: \$ 0.2292)	
			Liability	Ch.	Liability	Ch.	Liability	Ch.
<b>Owner Occupied Residential</b>								
\$50,000	\$10,000	\$266	\$3	1.2%	\$20	7.4%	\$23	8.6%
\$100,000	\$32,750	\$871	\$11	1.2%	\$64	7.4%	\$75	8.6%
\$200,000	\$97,750	\$2,120	\$32	1.5%	\$192	9.0%	\$224	10.6%
\$300,000	\$162,750	\$3,201	\$54	1.7%	\$319	10.0%	\$373	11.7%
\$500,000	\$292,750	\$5,361	\$97	1.8%	\$574	10.7%	\$671	12.5%
\$1,000,000	\$653,250	\$10,805	\$217	2.0%	\$1,280	11.9%	\$1,497	13.9%
<b>Rental Residential</b>								
\$100,000	\$100,000	\$2,123	\$33	1.6%	\$196	9.2%	\$229	10.8%
\$500,000	\$500,000	\$10,616	\$166	1.6%	\$980	9.2%	\$1,146	10.8%
\$1,000,000	\$1,000,000	\$21,232	\$332	1.6%	\$1,960	9.2%	\$2,292	10.8%
\$10,000,000	\$10,000,000	\$212,320	\$3,320	1.6%	\$19,600	9.2%	\$22,920	10.8%
<b>Commercial/Industrial</b>								
\$100,000	\$100,000	\$2,755	\$33	1.2%	\$196	7.1%	\$229	8.3%
\$500,000	\$500,000	\$13,774	\$166	1.2%	\$980	7.1%	\$1,146	8.3%
\$1,000,000	\$1,000,000	\$27,547	\$332	1.2%	\$1,960	7.1%	\$2,292	8.3%
\$10,000,000	\$10,000,000	\$275,470	\$3,320	1.2%	\$19,600	7.1%	\$22,920	8.3%

\*Current tax liability calculating using Center Twp (District 101) 2018 property tax rates

### Other Considerations Regarding Efficiency Options

As described in Section 4 that follows, there are a number of other efficiency options that the Project Team identified that could provide significant additional savings or new revenue, but which are not currently valued. That is, these represent additional savings opportunities or overall service quality improvements that are not counted in the savings projections above, but will be pursued by IPS going forward. Some of these include:

- Capturing savings from a reduction in the estimated 8,600 excess seat count prior to school year 2021-2022;
- Gaining some net revenue from leasing IPS facilities to other organizations, such as IPS' current lease agreement with the Oaks Academy;
- Giving principals the ability to keep 50% of school savings realized from their school budgets to spend on school priorities;
- Reducing the number of software packages that IPS supports by 25% over the next five years;
- Reducing IPS' total software license costs by 10% within two years;
- Moving to a third-party payroll provider;

- Increasing the amount received by IPS from innovation schools for information technology (“IT”) support;
- Consolidating the IT and telecommunications functions;
- Standardizing innovation agreements with school operators generally;
- Continuing IPS’ practice of conducting recurring dependent healthcare eligibility audits and rigorously verifying all newly enrolled dependents;
- Continuing the existing spousal exclusion program for those instances where spouses are able to obtain health insurance coverage from their own employer;
- Reducing inventory shrinkage through better asset management;
- Continuing IPS’ existing best practices related to healthcare eligibility;
- Increasing IPS’ marketing efforts to expand the customer base of contract schools for which IPS provides meals;
- Partnering with Indianapolis Public Library to get every IPS student a library card; and
- Partnering with Indianapolis Public Library to roll out a "Shared Services" model in IPS.

## 1.7 Conclusion

The agreement reached on the operating and capital referenda and the efficiency opportunities is the result of months of negotiation and refinement between IPS and the Chamber. The District’s original proposed referendum, released in late 2017, was for a \$770 million operating referendum and a \$200 million capital referendum with cost of living salary increases for all IPS employees. After initial community feedback, IPS revised its proposed referenda to \$525 million for operating and \$200 million for capital. After consultation with the Chamber, the capital referendum was revised down to \$52 million in May. After initially voting on a \$315 million operating referendum on July 17<sup>th</sup>, the final IPS Board vote was on July 24<sup>th</sup> was to approve a \$220 million operating referendum. That \$220 million operating referendum includes a planned amount of \$229.5 million for teacher and principal pay increases. **In addition to the \$698 million reduction from the initial operating and capital referenda requests, the plan for the \$220 million operating referendum also includes very meaningful increases in teacher and principal pay over the next eight years.**

## 2 Assessment Objective and Approach

### 2.1 Justification

As with almost everything in life, scarcity of resources requires a careful consideration of tradeoffs. In every jurisdiction, the tax burden influences the daily decisions of individuals, families, and businesses about where to live and invest. Significant increases in the tax burden could reduce the attractiveness of the Indianapolis core as a place to live and build a business in comparison to other destinations.

Similarly, the Chamber believes in the paramount importance of maintaining the momentum that IPS has demonstrated in recent years in improving graduation rates, offering students real and attractive choices in education, and reducing some overhead costs – all while experiencing funding declines from the State of Indiana ( “State”). Indeed, an improving school district like IPS that is open to innovative educational partnerships and focused on outcomes is one of the most important elements of the City’s overall economic environment.

IPS has been extremely cooperative and transparent throughout this process, providing repeated access to already-busy District employees as well as requested documents. Many of the ideas presented herein originate from open and candid conversations with IPS employees who have a passionate commitment to the welfare of the District and its students. Without their energetic assistance, this Assessment and the options that it presents would not have been possible.

For the benefit of both important considerations – the proposed increased burden on taxpayers and the need for revenue to support IPS – the Project Team presents this Operational Assessment (“Assessment”).

### 2.2 Intent of the Project

The intent of this Assessment is to provide assistance to IPS leadership in analyzing strategic options, financial challenges, and operational needs. This Assessment is intended to be as objective as possible and involves a wide-ranging review of IPS’ operating model. **The goal was to identify what changes to the IPS operating model can be implemented to mitigate the need for an operating referendum while still increasing investments in those factors (teachers, principals) that lead to improved educational outcomes.** We hope that this provides stakeholders outside the District with a better understanding of the major drivers of IPS’ costs and, thus, the tradeoffs inherent in the request for additional operational funding.

### 2.3 Principles

In completing this Assessment and developing the savings options included, certain principles established by the Chamber governed the work of the project team. These include:

- Within schools, teachers and principals are the most important factors in a child’s education; and

- The IPS tax base is limited, and its resources are finite. Therefore, every dollar spent on operational items like facilities and transportation is a dollar that IPS cannot use to pay teachers and principals.

## 2.4 Team

For this Assessment, the Chamber engaged Faegre Baker Daniels Consulting (“FBDC” or “Faegre”) and Policy Analytics, LLC (“PALLC” or “Policy Analytics”) to complete the work. Collectively they are referred to as the “Project Team.”

The Faegre team was led by Skip Stitt, a Principal and consultant with more than 30 years of experience as a public sector executive, strategic consultant, and services provider. Faegre Baker Daniels Consulting is a division of Faegre Baker Daniels LLP, a global law firm with substantial experience in public sector finance and transaction matters. Skip was formerly Deputy Mayor and Chief Operating Officer of the City of Indianapolis. He was assisted by Michael Brink and Nick Weber, each with more than twenty years’ service to the public sector and a range of related executive positions. Nick also served as a Deputy Mayor of the City of Indianapolis with oversight of the Office of Educational Innovation.

The Policy Analytics team was led by Bill Sheldrake. PALLC is an Indianapolis, Indiana-based firm specializing in economic analysis, public finance and policy analysis. Bill is a recognized and respected leader in economic analysis, state and regional government policy, and statistical research with more than 20 years’ experience. Bill was assisted by Jason O’Neill and Dennis Tackitt, who served as the Chief Financial Officer of the Metropolitan School District of Wayne Township for more than 20 years.

## 2.5 Timeline

The Project Team was given 90 days in which to complete this work, and began the effort on March 27, 2018. The general phases of the project were as follows:

- 3/27 – 4/27 – Conduct initial interviews, conduct initial data review, research best practices, issue follow-on data requests, identify initial master list of ideas
- 4/28 – 5/25 – Conduct additional interviews, develop and refine most promising ideas, create first draft of assessment, present first draft of assessment
- 5/26 – 7/31 – Receive feedback, complete final research and analysis, finalize draft, present report

## 2.6 Interviews

The Project Team interviewed more than 50 individuals during the Assessment. A list of those interviewed is included as **Appendix A**. Beyond that list, the Project Team conducted scores of follow-up calls with IPS staff and other personnel. Additionally, the Project Team conducted a round table discussion with IPS teachers on May 17, 2018.



## **2.7 Description of Data Collection and Analysis**

In the course of the work, the Project Team analyzed scores of IPS internal reports, prior consultant reports, slide decks, memos, and spreadsheets provided by IPS.

## **2.8 Site Tours**

Faegre completed tours of multiple IPS facilities and schools, including Purdue Polytechnic High School, Longfellow Middle School, the IPS central office and William Penn Elementary School.

## **2.9 Best Practices and Case Study Research**

The Project Team reviewed relevant work from independent researchers, non-profits, philanthropies, labor groups, and think tanks on issues related to the operations of urban public school districts. Those are cited throughout the document. For example, we looked at how transportation services are provided in other “choice rich” urban districts such as Denver, Detroit, and New Orleans.

## **2.10 Considerations**

A number of considerations are in order for any effort the size and scope of this Assessment:

- Running a large urban district, especially one with IPS’ complexity, is extraordinarily complicated. Additionally, IPS has absorbed an immense amount of change in the last decade. The more one learns about the District’s operations, the more challenging the picture becomes.
- The savings ideas presented in Section 4 and summarized in Appendix B of this document require the District’s further assessment and appraisal. The Project Team has made efforts to understand how each idea would “fit” within IPS in terms of the operational implications and financial impacts, including the timing within which they could reasonably be implemented. However, implementing them will require the intimate knowledge and day-to-day management understanding that only IPS executives have.
- IPS has extant contracts, and some of the Project Team’s ideas will require negotiations or changes.
- While the Project Team has attempted to become conversant with relevant contracts, policies, regulations, and laws, a thorough review of the feasibility of the savings ideas relative to these constraints is required. However, over time, many of these constraints can likely be changed.
- The biggest expense driver for IPS’ is people. In order to help the layperson understand different functions of employees within IPS – such as “central office” and “school-based non-teacher, non-administrator”, the Project Team made determinations regarding classifying groups of employees within these broad categories. These classification decisions are open to discussion, but the intent is to help the reader who lacks a detailed knowledge of IPS (or any school system) understand broad categories of employees.

## **2.11 Limits of the Assessment**

Every project has limits, and this one is no exception. There are changes that would directly and substantially impact the cost of the educational services delivered by IPS but that are longer term efforts that would require substantial additional resources and, in some cases, cooperation across jurisdictional boundaries. These include:

- Redistricting within IPS;
- A comprehensive facility utilization plan focused on whether IPS should retain a facility, not simply how to retain it;
- The modification of District boundaries within Marion County; and
- The development of “shared services” strategies and organizations with other Marion County school systems for functions like transportation, food service, and procurement.

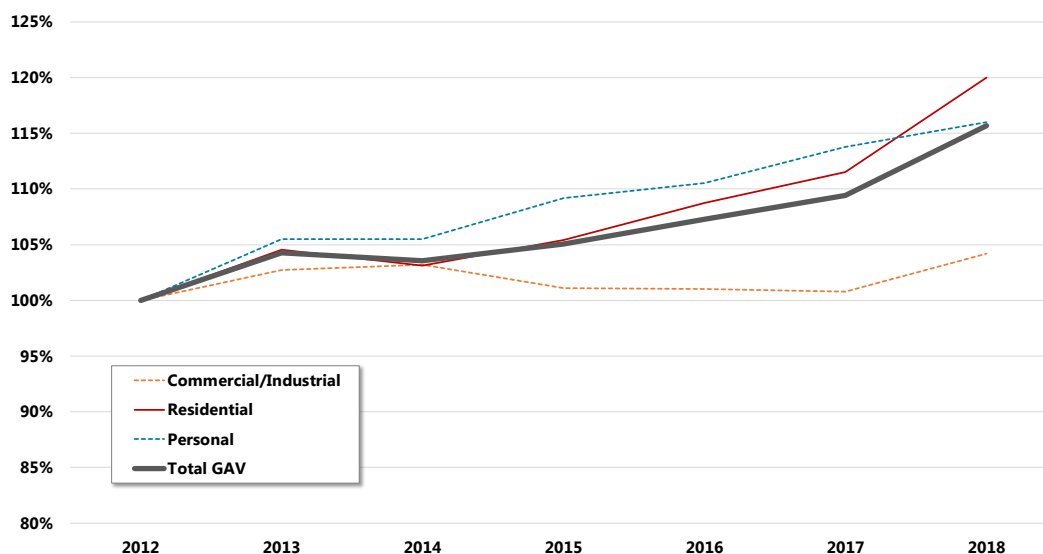
Each of these has potential for substantial efficiencies, but likely requires a level of effort and timeline that stretches years into the future. These are worthy efforts for IPS and other surrounding jurisdictions to pursue and we advocate that they be thoroughly explored.

### 3 Overview of the IPS Tax Base

#### 3.1 Gross Assessed Value Trends by Property Class

The IPS property tax base is diverse, ranging from high density Class A commercial space to distressed residential neighborhoods. The growth of the tax base or assessed value is dependent on the economic trends applying to the various property classes: commercial, residential, or business personal property, (essentially machinery and equipment). Since the 2008 national recession, substantial investment has taken place in Indianapolis in the commercial and residential sectors. The residential tax base growth comes from both new multi-family development, increasing by 12.4% per year, and single family housing stock, increasing by 1.9% annually.

**Gross Assessed Value Trends by Class (indexed to 2012)**



#### 3.2 Property Taxes in Indiana

An example of a property tax calculation for an IPS taxpayer is shown in the table below. This table illustrates the methodology used to calculate property tax liabilities for homestead (owner occupied residential), rental and commercial/industrial properties. It shows how the various deductions and credits influence the net property tax liability charged to taxpayers, and the interactions of referenda tax rates.

## IPS Illustrative Property Tax Bill Calculation

Center Township: Tax District 101 (Pay 2018)

	Homestead Parcel	Rental Parcel	Other Parcel
<b>Circuit Breaker Cap</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>
<b>Assessed Value</b>			
Gross Assessed Value	\$100,000	\$100,000	\$100,000
Less: Standard Deduction	\$45,000	-	-
Less: Supplemental Deduction	\$19,250	-	-
Less: Mortgage Deduction	\$3,000	-	-
<b>Net Assessed Value</b>	<b>\$32,750</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Property Tax Rates (per \$100 in assessed value)</b>			
Non Exempt Rate (CB Eligible)	2.6315	2.6315	2.6315
Current Capital Referendum Rate	0.1232	0.1232	0.1232
Proposed Future Referendum Rate	0.2292	0.2292	0.2292
<b>Gross Property Tax Liability</b>			
Non Referendum Liability	\$862	\$2,632	\$2,632
Current Capital Referendum	\$40	\$123	\$123
Illustrative Referendum	\$75	\$229	\$229
<b>Total Gross Liability</b>	<b>\$977</b>	<b>\$2,984</b>	<b>\$2,984</b>
<b>Property Tax Credits</b>			
Less: Homestead Credit (3.599%)	\$31	-	-
Less: Circuit Breaker Credit	-	\$632	-
<b>Total Credits</b>	<b>\$31</b>	<b>\$632</b>	<b>-</b>
<b>Net Tax Liability</b>			
Non Referendum Liability	\$831	\$2,000	\$2,632
Current Capital Referendum	\$40	\$123	\$123
Proposed Capital and Operating Ref	\$75	\$229	\$229
<b>Total</b>	<b>\$946</b>	<b>\$2,352</b>	<b>\$2,984</b>

### 3.3 Tax Increment Financing Implications

Tax increment financing (“TIF”) is an economic development and redevelopment financing mechanism available to cities, towns, and counties under Indiana law. When used, TIF captures the growth, or “increment” in assessed value within defined geographic areas. The property taxes generated from the captured increment are allocated to redevelopment and economic development uses specified in statute while the base, non-TIF taxes continue to fund local government.

1. The capture of new assessed value in TIF districts is “set aside” and does not contribute to the tax base of local taxing units like schools, municipalities, and townships.
2. The Indiana General Assembly enacted legislation that allowed referenda approved after 2009 to collect revenues from TIF districts. The intent of this legislation was to ensure that the property tax proceeds of any referenda approved by voters was allocated to its

intended use. IPS' current capital referendum rate precedes this statutory change and does not receive revenue from the TIF increment. However, any future voter-approved referenda would collect revenue from incremental assessed value.

3. The IPS tax base (which excludes assessed value ("AV") that is allocated to the TIF) was certified at \$10.7 billion for the 2018 tax year. TIF districts within IPS captured an additional \$3.3 billion of assessed value that is not part of the school's tax base.
4. If approved, the IPS referenda would generate revenue for the school from TIF increment for the first time. A combined property tax rate of \$0.2292 will generate 31% more in revenue when TIF AV is included than when only applied to the regular tax base.

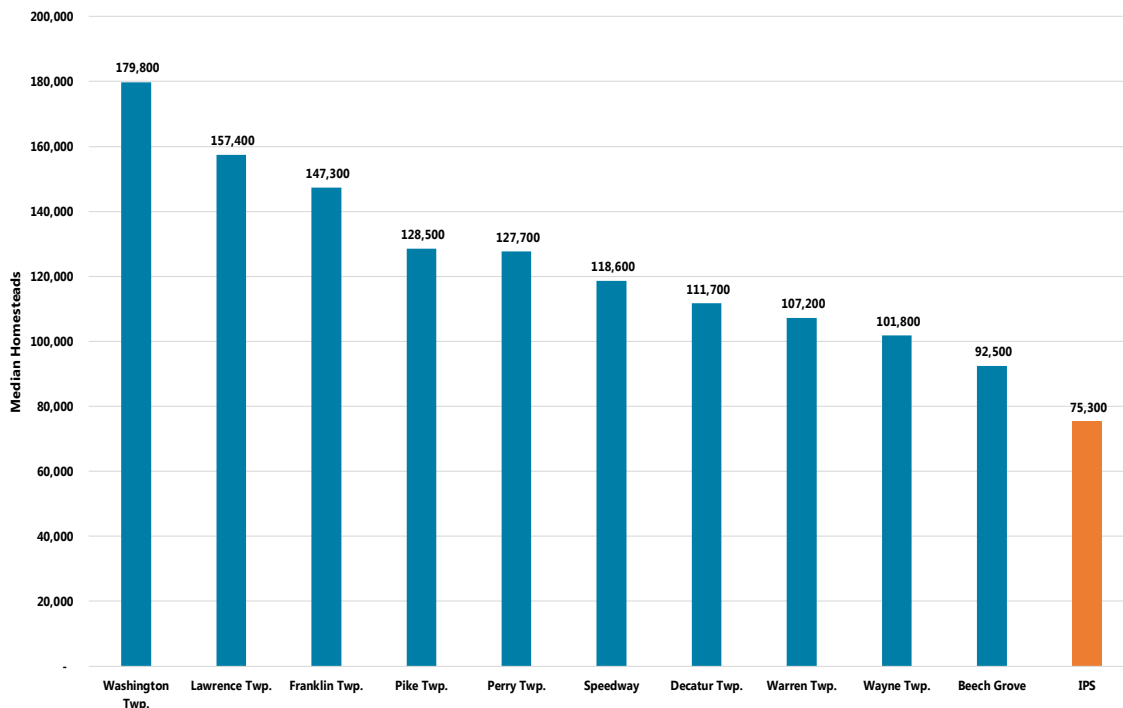
### Impact of TIF AV on Referendum Revenue

	Certified Net AV	Proposed Rate	Revenue Yield
IPS Certified Net AV	\$10,738,720,168	\$0.2292	\$24,613,147
Plus: TIF Increment AV	\$3,294,648,350		
<b>Net AV for Referendum Fund</b>	<b>\$14,033,368,518</b>	<b>\$0.2292</b>	<b>\$32,164,481</b>
Percent Difference -->			31%

### 3.4 Homestead Assessed Values

The residential tax base within the IPS taxing district is relatively low value compared to other Marion County School districts. The median homestead gross assessed value (market value) is \$75,300 within the IPS taxing district for the 2018 tax year. In contrast, the median homestead gross assessed value for other Marion County schools ranges from \$179,800 for MSD Washington to \$92,300 for Beech Grove Community Schools.

### Comparison of Median Homestead Gross Assessed Value



### 3.5 Taxpayer Impacts

A property tax rate approved by referenda to fund either capital or operating expenses represents an addition to the present district property tax rate, outside the protection of the circuit breaker rate caps. The effect of a referendum rate on a taxpayer is a function of assessed value and the referenda rate.

The impact of the proposed capital and operating referenda rates on IPS property owners is illustrated below:

### Illustrative Impact of \$52M Capital and \$220M (Combined) Operating Referenda

Market Value (Gross AV)	Current Taxes		Illustrative Referendum Amount					
	Net AV	Current Tax Liability	\$52M Capital (Rate: \$0.0332)		\$220M Operating (Rate: \$0.1960)		Cap + Op Ref. (Rate: \$0.2292)	
			Liability	Ch.	Liability	Ch.	Liability	Ch.
<b>Owner Occupied Residential</b>								
\$50,000	\$10,000	\$266	\$3	1.2%	\$20	7.4%	\$23	8.6%
\$100,000	\$32,750	\$871	\$11	1.2%	\$64	7.4%	\$75	8.6%
\$200,000	\$97,750	\$2,120	\$32	1.5%	\$192	9.0%	\$224	10.6%
\$300,000	\$162,750	\$3,201	\$54	1.7%	\$319	10.0%	\$373	11.7%
\$500,000	\$292,750	\$5,361	\$97	1.8%	\$574	10.7%	\$671	12.5%
\$1,000,000	\$653,250	\$10,805	\$217	2.0%	\$1,280	11.9%	\$1,497	13.9%
<b>Rental Residential</b>								
\$100,000	\$100,000	\$2,123	\$33	1.6%	\$196	9.2%	\$229	10.8%
\$500,000	\$500,000	\$10,616	\$166	1.6%	\$980	9.2%	\$1,146	10.8%
\$1,000,000	\$1,000,000	\$21,232	\$332	1.6%	\$1,960	9.2%	\$2,292	10.8%
\$10,000,000	\$10,000,000	\$212,320	\$3,320	1.6%	\$19,600	9.2%	\$22,920	10.8%
<b>Commercial/Industrial</b>								
\$100,000	\$100,000	\$2,755	\$33	1.2%	\$196	7.1%	\$229	8.3%
\$500,000	\$500,000	\$13,774	\$166	1.2%	\$980	7.1%	\$1,146	8.3%
\$1,000,000	\$1,000,000	\$27,547	\$332	1.2%	\$1,960	7.1%	\$2,292	8.3%
\$10,000,000	\$10,000,000	\$275,470	\$3,320	1.2%	\$19,600	7.1%	\$22,920	8.3%

\*Current tax liability calculated using Center Twp (District 101) 2018 property tax rates

## 4 Areas of Focus and Efficiency Opportunities

The following are the major ideas for operational efficiencies that emerged from the Project Team's interviews, research, and analysis and that were refined based on discussions with Chamber and IPS personnel. A summary of the efficiency options is included as **Appendix B**.

### 4.1 Transportation

#### 4.1.1 Current Costs and Trends

IPS students are eligible for bus service if the following conditions are met:

- K-6 students living 1 mile or more from their school
- 7-8 students living 1.25 miles or more from their school
- 9-12 students living 1.5 miles or more from their school

Additionally, transportation may be provided for students who live within the walking distance guidelines when physical barriers prevent safe passage to school (e.g., dangerous intersections or railroad crossings) or required because of a qualifying medical condition of the student.<sup>20</sup> Out of approximately 31,917 enrolled IPS students in SY 2017-2018, approximately 75 % (24,078) are estimated to make use of the District's bus services on a regular basis.<sup>21</sup>

For those students eligible for bus service based on their distance from school, all bus stops must be within 0.3 mile of a student's home for elementary and middle school students and 0.4 mile for high school students.<sup>22</sup> The Board recently approved an expansion of the maximum bus stop distance for high school students to 0.7 mile.<sup>23</sup>

Descriptive data showing current transportation utilization for IPS' 1,409 daily to- and from-school bus routes are as follows:<sup>24</sup>

Measure	Number of Student Passengers
Mean	32
Median	29

Beyond the daily trips to and from school, IPS operates many afterschool routes supporting children participating in a range of programs (e.g., tutoring and extracurricular activities). For example, buses depart from many IPS schools at 5, 6, and 7 p.m. to take students home.<sup>25</sup> Because the number of students participating in those trips varies on a daily basis subject to participation in things like tutoring and extracurricular activities, no utilization data is available.

IPS spends about 10 percent of its total budget, approximately \$44-47 million per year, on transportation, including both internal and outsourced services.<sup>26</sup> IPS' transportation operations and capital needs are supported by the local property tax Transportation Fund and Transportation Bus Replacement Fund.<sup>27</sup>

The change in IPS transportation personnel over the last three years is as follows:

Job Class Description	15-16	16-17	% Increase (Decrease)	17-18	% Increase (Decrease)	2-Yr. Annualized Incr. (Decr.)
Bus Attendant	64	79	23%	64	(17%)	0%
Bus Driver	149	133	(11%)	118	(11%)	11%
All Other Trans.	44	27	(38%)	26	(3%)	20%
Grand Total	257	239	(7%)	208	(13%)	10%

The SY 2017-2018 transportation revenues were reported as follows:<sup>28</sup>

Fund	Category	Amount (\$)
Transportation	Property Taxes	32,971,699
	Circuit Breaker Allocation	(6,217,777)
	Special Taxes	1,826,838
	Other Revenue	580,952
	<b>Subtotal</b>	<b>29,161,712</b>
Transportation Bus Replacement	Property Taxes	9,669,765
	Circuit Breaker Allocation	(1,822,777)
	Special Taxes	1,021,279
	<b>Subtotal</b>	<b>8,868,267</b>
	<b>Total</b>	<b>38,029,979</b>

IPS' projected expenditures for SY 2017-2018 in transportation showed them as substantially exceeding the dedicated revenues.<sup>29</sup>

Category	Amount (\$)
Student Transportation Services	12,155,771
Bus Purchases	1,208,673
Salaries	6,837,998
Employee Benefits	2,406,937
Purchased Services	22,496,109
Takeover School Payments	1,541,417
Supplies and Materials	960,613
Property & Equipment	13,250
Other Objects	74,625
<b>Total</b>	<b>47,695,394</b>

Because IPS' transportation expenditures exceed earmarked revenues from the Transportation Fund and Transportation Bus Replacement Fund, IPS must use education funds to subsidize transportation activities. Information for SY 2017-2018 that the District presented in late April to its Board shows the projected transportation expenditures for the year at \$47.3 million.<sup>30</sup> A later update from the District (5/10/2018) shows the projected expenditure for SY 2017-2018 at \$44.4 million; at that level, the estimated transportation expense beyond the dedicated property tax funds would be over \$7 million.<sup>31</sup> Thus, the expected amount spent on transportation declined by more than \$3 million over the course of the year.



In response to its imminent budget challenges, IPS announced on April 26, 2018 its plan to cut \$1.5 million from the transportation budget for 2018-2019 by reducing “extracurricular trips, field trips and after-school activities.”<sup>32</sup> This will involve reducing the “afterschool take home” routes to one per night for grades 7-12. Preschool through grade 6 will not receive “afterschool take home” routes. Elementary sports programs will not include transportation. Field trips will be reduced overall throughout the school district.<sup>33</sup>

#### **4.1.2 Key Research Findings**

- Based on a ruling related to a Franklin Township Community Schools case, the Indiana Supreme Court has ruled that schools are not constitutionally required to provide bus service for students.<sup>34</sup>
- Historically, the two dedicated, property tax transportation funds have been restricted to fund only IPS transportation activities. However, the passage of new state legislation (HEA1009) will enable IPS to consolidate operations funds in SY 2019–20, enabling any transportation savings to be allocated to other operational needs.<sup>35</sup> Thus, in the future, if IPS were to reduce transportation costs to below the amount received from local property taxes to support transportation activities, the District would derive a double benefit: first, in ending the subsidy provided by the education fund and second, in repurposing funds formerly earmarked for transportation activities to other areas of need.
- IPS is contracted with the transportation vendor Durham School Services, L.P. (Durham) through June 30, 2020, under a five-year agreement. For SY 2017-2018, the cost of the Durham contract to IPS will be about \$28 million.<sup>36</sup> A number of IPS executives indicate that Durham’s level of service is less than desired. For example, IPS cites on-time arrival (i.e., within five minutes) for its own buses at 98%, excepting snow days. In comparison, IPS indicates that Durham’s normal average on-time arrival performance runs between 85-86%.<sup>37</sup>
- In 2014-2015, IPS spent \$1,168 per pupil on transportation. That per pupil amount is substantially more (281%) than the average of the per pupil amount spent by national peer school systems (\$307), as identified by the educational consulting firm Education Resource Strategies (“ERS”). Those peer school systems included Tulsa, OK; Knox County, TN; Denver, CO; New Haven, CT; Cleveland, OH; and Washington, DC.<sup>38</sup> Since then, IPS’ transportation costs have continued to rise (now at >\$1,500 per student) and are likely still well above both the peer average and median.
- Historically, the amount that IPS spends on transportation is substantially more than that spent by 15 other large Indiana peer districts, not including Gary. The 2011-2012 transportation cost data showed IPS at \$1,290 per pupil versus an Indiana median of \$650.<sup>39</sup>
- In an April 2017 presentation to IPS, ERS estimated that the district could potentially save \$11-17 million annually in transportation costs by bringing costs more in line with peer schools.<sup>40</sup>
- It has been many years since IPS has gone through a formal redistricting process, but IPS will likely be redistricting within the next 3-5 years.<sup>41</sup> There will likely be meaningful transportation efficiencies that accompany redistricting, though IPS did not provide estimated transportation or facilities cost savings associated with redistricting.
- There are some exceptions to the geographic zones around choice schools with multipole locations. New families are only offered priority access and transportation to the school

in their zone, but IPS has created grandfather rights for families who are already in programs that pre-date the creation of zones. For example, a student who was assigned to a Center for Inquiry (“CFI”) school some years ago because the family lived in the CFI zone still receives transportation to that school even though a new, closer CFI was created. IPS allows the student to remain at the CFI school with transportation, and the student’s siblings have also been able to enroll in and receive transportation to the original CFI school to allow for school continuity. This has created a legacy of students living outside of their school’s zone that receive IPS-provided transportation.<sup>42</sup>

- Extracurricular routes within IPS are not routed as the normal a.m. and p.m. take-home service because there is no roster for students to participate in afterschool programs, events, tutoring, school activities and sporting events. IPS has zoned the District into North, South, East, and West groupings to help reduce the crossover travel for the students. For SY 2018-19, IPS Transportation will utilize a primary and sub-zone routing option in which the child will be identified by his or her primary zone/sub-zone. When the bus arrives, the school will have the children organized into their primary and sub-zone to reduce confusion. The driver will then follow the primary and sub-zone route.
- Special Education students cost significantly more to transport than do non-Special Education students. Some Special Education routes can only carry one or two children if the child’s Individualized Education Program (“IEP”)<sup>43</sup> states that the child cannot ride with a full bus. Some of the additional costs associated with Special Education student transport are:
  - Additional Bus Attendant positions at \$26,926 per year
  - The additional cost for a bus equipped with a chair lift is \$16,000
  - The annual maintenance cost for a lift is \$1,100<sup>44</sup>
- For SY 2018-2019, IPS transportation executives worked with IPS’ innovation partners and IPS schools to develop a two-tier system for school start times. This should allow transportation to operate more efficiently. There is an opportunity for cost savings with the two-tier system, but the full impact will not be known until all students are routed after open enrollment.<sup>45</sup>
- The federal McKinney-Vento<sup>46</sup> law mandates that, at a parent or guardian’s request, IPS must provide homeless students with transportation to and from their school of origin. In practical terms, this means that IPS must transport a number of students who are out of school and District boundaries to IPS schools. This adds additional time to various routes. The federal government provides some funding for school districts to meet their McKinney-Vento obligations. Total funding provided to IPS for SY2017-2018 was \$96,498.00.<sup>47</sup> IPS did not provide a cost to deliver McKinney-Vento transportation services, but it is likely significantly higher than the federal funds provided. For example, the Massachusetts State Auditor Suzanne Bump reported that Boston Public Schools spent \$760,949 in 2012 to provide these services.<sup>48</sup> Thus, it is likely that IPS’ expenditures well exceed its McKinney-Vento funding.
- The City’s urban mass transit service, IndyGo, is in the midst of a major expansion of service that will result in a 70% increase in service (e.g., increased frequency, hours, and network design) as part of the Marion County Transit Plan.<sup>49</sup> As IndyGo expands its service, the opportunities for it to play a much larger role in the transport of IPS students grow significantly. This is consistent with the role public transit plays in many other cities.

- Not all urban school districts with a substantial school choice component take as expansive of an approach to providing school bus transportation for students as does IPS. For example, Denver Public Schools (“DPS”) has 92,000 students and 221 schools, with more than half of those (117) operating as charter or innovation schools. DPS does not guarantee school bus access to enable students’ choice decisions and has received criticism for this. However, Denver’s approach to expanding access to schools involves multiple modes of transportation beyond the traditional yellow buses, including substantial use of the city’s rapid transit system and express buses. Additionally, a high school student must live more than 3.5 miles from his or her school to be eligible for bus service. All told, DPS reports that it operates 399 buses and spends \$26 million on transportation in a choice district with approximately three times as many students as IPS.<sup>50</sup> DPS, at 155 square miles, is almost twice as large as IPS, at 80 square miles.<sup>51</sup>
- A 2017 Urban Instituted report reviewed the student transportation approaches of five “choice-rich” urban school districts: Denver, Detroit, New Orleans, New York, and Washington, DC. The Project Team did not have access to the report’s methodology and original data sets, so a pure “apples-to-apples” comparison between Indianapolis and these other districts is not possible. However, a review of the metrics in the report relative to the information produced by ERS would *appear* to show that Indianapolis provides a level of yellow bus service significantly above the mean of this group of peers:
  - Indianapolis has the highest per pupil transportation expenditure among this group of “choice-rich” urban districts, excepting Washington, DC, which provides yellow bus service only to special needs students.<sup>52</sup>
  - Indianapolis has the most expansive yellow bus service levels offered, similar to New Orleans’ approach.<sup>53</sup>
  - Along with New Orleans, Indianapolis has the least dependence on public transit to transport students.<sup>54</sup>
  - With the exception of New Orleans, the other four districts profiled rely on public transit for either all or a significant portion of the grades 9-12 student population.<sup>55</sup>
  - In comparison with four of the five districts, Indianapolis has comparable school walk zones upon which bus service is based, with Denver being the outlier.<sup>56</sup>

#### 4.1.3 Efficiency Opportunities

Transportation is a substantial cost to IPS’ taxpayers and is the largest driver in the fact that IPS’ per student education cost is substantially higher than regional peers. IPS is committed to the principle that true school choice requires transportation options to make choice a reality. However, even when it is compared to other “choice-rich” major urban districts, IPS appears to be at the far margin when it comes to service levels and per student costs.

At a minimum, IPS could seek to “right-size” its transportation operation to fit within the earmarked property tax revenue funds (Transportation and Bus Replacement) estimated to be \$34.7 million for SY 2018-2019.<sup>57</sup> This would require, at least, a further reduction of approximately \$10 million from the SY 2017-2018 spend.

Key efficiency options include:

- IPS should eliminate IPS yellow bus service for IPS high school students and provide them with IndyGo passes. Multiple peer “choice-rich” districts do not provide yellow bus service for all or some of their high school students, such as Denver, Detroit, and New York City. Additionally, the four remaining IPS high schools will be accessible to current and potential IndyGo stops. When age appropriate, IPS could collaborate with IndyGo to bundle access to multiple forms of transportation services for students (e.g. Pacers Bike Share, Lyft, Uber, and Blue Indy). Additionally, there would be non-school benefits to these bus passes for students, who could use them to get to jobs and other activities.
- IPS should develop a new RFP to contract for all IPS transportation operations. Despite the challenges with the current vendor’s performance, IPS indicates that the cost of the contracted bus service is lower than the internal cost. Recognizing that further efficiencies may be possible with a larger scope of service, IPS could develop a new RFP for contracted transportation services effective as soon as is practical. The goal of the RFP should be to promote competition and creativity when it comes to service, including multiple transit modes. For example, a major bus contractor recently acquired the “Uber for kids” company, HopSkipDrive,<sup>58</sup> that could lead to more cost-effective and flexible transportation options for districts.
- IPS should make further incremental changes to the existing transportation system. Beyond the major changes discussed above, there are more limited changes that IPS could make that allow for further cost reductions. These include:
  - Increase Walk Zones – IPS’ current walk zones are comparable to those of a number of the other “choice-rich” districts mentioned earlier - Detroit, New Orleans, and New York City. However, for high school students, Denver’s walk zone is considerably longer at 3.5 miles. IPS could increase the walk zone distance for students by approximately 50% and reduce total transportation costs.
  - Route Optimization – Boston Public Schools (“BPS”) called families on many routes to see if their kids actually used the bus route. About 10-15% of families said they did not use the service, which allowed BPS to re-think routing further.<sup>59</sup> Anecdotal evidence from discussions with IPS parents suggests some number of IPS families would similarly respond.

## 4.2 Central Office

### 4.2.1 Current Costs and Trends

IPS had 31,917 students in SY 2017-2018, with 24,032 of those in schools that IPS directly and solely administered (non-innovation schools).<sup>60</sup> In any district with multiple schools, especially one of IPS’ size, personnel are needed in support functions that are most efficiently performed at a district level (due to economies of scale). However, studies have demonstrated that under some conditions, “[d]istrict offices wind up with a slew of unrelated initiatives that collectively consume massive resources and go nowhere fast.”<sup>61</sup>

The focus of this central office analysis includes positions like the Superintendent, finance, operations, innovation, administration, business operations, security and curriculum. This section of the Assessment does not consider the personnel costs associated with the central services directly provided to schools on a scheduled, regular basis, such as facilities, transportation and food services. It also does not include any Certified Administrators (such as principals) or any other personnel officially assigned to a school as their work location.<sup>62</sup>

For SY 2017-2018, there were 344 individuals that the Project Team grouped into these central office roles, including Program Directors, Administrative Assistants, Business Operations, and Security as follows.<sup>63</sup>

Job Class Description	Total
ADMINISTRATIVE ASSISTANT	2
ADMINISTRATIVE ASSOCIATE	24
ASSISTANT HEAD CUSTODIAN	1
ASSISTANT SUPERVISOR	1
ASST HEAD CUST ELEM	1
BI LINGUAL ASST DEGREE	1
BI LINGUAL ASST NDG	3
BUSINESS MANAGER	1
BUSINESS OPERATIONS A	3
BUSINESS OPERATIONS B	34
BUSINESS OPERATIONS C	2
BUSINESS OPERATIONS E	1
CAPTAIN	1
CHIEF - FACILITIES MGT. DIV.	1
CHIEF OF POLICE	1
CLASSIFIED DIRECTOR	20
COMPUTER SPECIALIST	14
COMPUTER TECHNICIAN 12Month	11
COUNSELOR	6
CURATOR	1
DIRECTOR	1
DIRECTOR OF Facilities Maintenance Division	1
DISPATCHER 12M	6
EDUCATION GROUP B	7
EXECUTIVE ASSISTANT	3
EXECUTIVE ASST.	1
FACILITIES MANAGEMENT SUPV.	1
FOOD SERVICE DIRECTOR	1
HEAD CUSTODIAN	4
INST SUPPORT MINI BUS DRIVER	1
MANAGER/INFORMATION OFFICER	4
MECHANICAL MAINTENANCE WORKER	3
OCC/PHYSICAL THERAPIST	5
OFFICE ASSOCIATE - 12 MONTHS	11
OFFICE ASSOCIATE - 190 DAYS	1
OFFICER CLASSIFIED	3
OPERATOR	2

PAR INV EDUCATOR	2
PSYCH INTERN CLASSIFIED	3
PSYCHOLOGIST	13
ROTC INSTRUCTOR	9
ROTC SUPERVISOR	1
SCHOOL BOARD COMMISSIONER	7
SCHOOL POLICE OFFICER	36
SCHOOL POLICE SERGEANT	9
SOCIAL WORKER	8
SPEECH LANG. THERAPIST ASSISTANT	2
SPECIAL ED ASSISTANT	18
SR ROTC INST ND 12 MONTHS	2
STAFF CUSTODIAN	10
STUDENT ACTIVITIES COORDINATOR	5
SUPERINTENDENT	1
SUPERVISOR BUSINESS OPERATIONS	5
SUPPORT SPECIALIST	21
SYSTEM ADMINISTRATOR	5
TECHNOLOGY ASSISTANT	1
TRANSPORTATION OPERATIONS	1
TRANSPORTATION SUPERVISOR	1
Grand Total	344

For “big picture” analysis purposes,<sup>64</sup> the Project Team grouped the employees as follows, with recent headcount trends identified:

	15-16	16-17	% Incr. (Decr.)	17-18	% Incr. (Decr.)	2 Yr. Annualized. Incr. (Decr.)
Administrative	54	46	(15%)	42	(9%)	(11%)
Custodial/Craft	17	23	35%	20	(13%)	9%
Business Operations	42	50	19%	46	(8%)	5%
Security	70	73	4%	56	(23%)	(10%)
Computers	50	37	(26%)	35	(5%)	(15%)
Directors	14	24	71%	24	0%	36%
ROTC	16	14	(13%)	12	(14%)	(13%)
School Services	55	47	(15%)	44	(6%)	(10%)
Superintendent	1	1	0%	1	0%	0%
SPED/ESL	19	34	79%	22	(35%)	8%
Support Specialists	25	22	(12%)	21	(5%)	(8%)
Transportation	4	5	25%	3	(40%)	(13%)
Other	29	20	(31%)	18	(10%)	(19%)
Grand Total	396	396	0%	344	(13%)	(7%)

According to the latest organization chart provided, the Superintendent oversees seven (7) executive staff member positions: Innovation Officer, Curriculum Officer, Chief Strategist,<sup>65</sup> Managing Director – Special Projects, Chief of Staff/General Counsel, Chief Financial Manager

and Deputy Superintendent of Operations.<sup>66</sup> Each of these direct report positions averages 3-4 direct reports.<sup>67</sup>

IPS' consultant ERS has reported that the amount that IPS spends on central office positions and services is down significantly from historical levels.<sup>68</sup> In October 2016, ERS reported that IPS' spending in this area was down 31% versus 2011-2012 levels. Despite this overall significant downward trend in central office spending, the District has *increased* spending (up 21% cumulatively versus 2011-2012) in identified priority areas within the central office function, including:

- Finance, Budgeting, and Purchasing
- Human Resources
- Insurance
- Legal
- Recruitment<sup>69</sup>

#### 4.2.2 Key Research Findings

- IPS has made strides in expanding its central office talent pool across functions like procurement, information technology, human resources, and payroll. Staff members appear to have successfully implemented the Kronos automated timekeeping software across IPS' many locations, greatly improving the accuracy of timekeeping and reducing the amount of labor involved in what was previously a very manual payroll process.
- From 1997 – to 2016 IPS had experienced a:
  - 29% decline in student enrollment;
  - 32% reduction in teachers;
  - 10% increase in non-teacher staff; and
  - 11% decrease in total staff.<sup>70</sup>
- Consultant ERS indicated that the proportion of resources that the IPS central office consumes is generally less than that of peer public school districts. "IPS has reduced its investment in Leadership & Management to a level less than three-quarters of districts ERS has studied."<sup>71</sup>
- In December 2015, ERS noted that IPS had a comparatively high expense in IT staffing versus the peer districts of Washington, DC; Tulsa, OK; New Haven, CT; Cleveland, OH; Denver, CO; and Knox County, TN. The IPS spend on IT staffing was 65% higher than the mean staffing spend of the other districts.<sup>72</sup>
- The number of positions within the IT division has declined from 48 to 31 during the time since IT Officer Laura Larimer arrived in 2015.<sup>73</sup> Ms. Larimer reports that, while some of this reduction was warranted, for most software applications run by IPS today, there is only a single support individual.
- There is a significant overlap in IT-related functions between the IT Division and the Telecommunications group within the Facilities Management Division. The lack of the IT Division's oversight of key IT-related technologies (e.g. telephone system) is likely a major contributing factor to the fact that the District's phone system is antiquated. Another example of an unjustified division of organizational responsibilities is that the IT

Division has responsibilities for printers while the Telecommunications group has responsibility for copiers.<sup>74</sup>

- It appears that software packages employed to complete particular tasks have proliferated across IPS in the last decade. Nationwide, one study estimates that 47% of software spending in the education industry is wasted.<sup>75</sup> One IPS source interviewed estimates that there are over 30 technology packages in use across IPS, many purchased in order to address perceived “gaps” in IPS’ Munis enterprise resource planning (“ERP”) tool. This proliferation of software packages was likely due, in part, to a governance process for the procurement of IT software and equipment that was decentralized and uncoordinated prior to changes made within the last few years. There has been an historical tendency within IPS for organizations to make procurement decisions without the participation of IT in providing a necessary perspective on implementation, integration, and support-related logistics and costs. This has led to greater IT complexity and cost, as well as many unintegrated software packages.<sup>76</sup>
- Additionally, there may be an overabundance of the software licenses that have been purchased (but which are not fully used), as has been documented in other school systems.<sup>77</sup>
- IPS has a variety of technology platforms within the District often with suboptimal integration. The telephone system is also an older technology that poses consistent challenges. It is a system which few internal employees can service or manipulate.<sup>78</sup> At one time, the District looked at moving to a new phone solution, but the work was never implemented. Entities of all sizes have embraced varying voice over internet protocol (“VOIP”) solutions for their employees.
- There have been challenges with IPS providing IT support for innovation schools. IPS does charge innovation schools \$44 per student if they opt in for IT services.<sup>79</sup> Interviewees report that in the first couple of years, more IT support was provided to innovation schools than was paid for. There have been improvements with these relationships, but there is still work to do to create relationships that effectively balance service levels with funding, according to interviewees.<sup>80</sup>
- IPS’ security function is included in the analysis of this group of central office employees. Our research did not find any recent evidence of a large school district eliminating its own security staff to contract with a local police department for such services. Additionally, given our broad familiarity with municipal cost structures, we believe it is unlikely that contracting with IMPD would reduce long-term costs.
- In April, 2017, ERS made a presentation to IPS that modeled scenarios regarding the continuing movement towards autonomous, innovation schools (in the IPS LEA and outside the IPS LEA). Specifically, the presentation analyzed the amount of central office (L&M plus “other support services”) that could be classified as “variable” or subject to change based on the number of IPS schools supported. In that presentation, ERS identified that between \$16.6 and \$17.7 million in annual spend (of the \$28.5 million total in Central Office spend referenced above) was variable, meaning it could be reduced as more innovation schools come on-line.
- As is made clear in the 4/2017 ERS report, increasing the number of innovation schools will put pressure on the central office to reduce further its headcount and overall resources. Looking at three different scenarios in comparison to the status quo, ERS’ 4/17 analysis found:<sup>81</sup>



% of Students in Autonomous/LEA Innovation/Non-LEA Innovation Schools	Potential Incremental Central Office \$ to Schools
75/10/15 (2017-2018)	Status Quo
70/20/10	\$3.6 - \$3.7M
40/40/20	\$5.5 - 5.9 M
20/20/60	\$10.8 - \$11.6 M

### 4.2.3 Efficiency Opportunities

- IPS must develop an explicit plan to reduce further central office staff consistent with the projected decline in the overall IPS student population and growth of the innovation schools (LEA and non-LEA).<sup>82</sup> Over the next eight years, a 30% reduction may be achievable based on an enhanced strategy to devolve more resources to schools and automate processes to the extent possible.
- In order to appropriately capture business efficiencies, we recommend that IPS consider the following changes that are consistent with best practices in high performing public- and private-sector organizations.
  - Create a Chief Operating Officer (“COO”) position to lead the operation of all non-academic IPS functions;
  - Create the Enterprise Development Director position discussed in Section 4 of this report, reporting to the COO;
  - Make the Human Resource Officer a direct report to the COO; and
  - Make the IT Manager a direct report to the COO.
- With Kronos implemented, the District should consider moving to an outsourced vendor for all payroll functions. Currently, IPS devotes 5.5 FTEs to the payroll function. The process is only somewhat automated and does not take advantage of current payroll trends to control costs.<sup>83</sup> The outsourced payroll space is a mature sector with deep capabilities and highly automated processes. Outsourced payroll removes a non-core function from the District. With an outside partner, IPS transfers the risk associated with complying with all future state and federal changes that effect payroll and it avoids needing to implement changes required to remain compliant. This cost, as well as operational risk, is shifted to a third party and away from the District.<sup>84</sup>
- There are functions within the Central Office that warrant further scrutiny based on current allocation of students across Autonomous/Innovation LEA/Innovation Non-LEA schools. For example, the “Public Relations” group has 24 employees.<sup>85</sup> According to IPS’ Chief Strategist, many of these individuals serve as call center personnel and perform a range of other internal projects for the District, including desktop publishing and developing publicity materials.<sup>86</sup> Approximately 70-80% of the calls received relate to transportation matters.<sup>87</sup> There are likely opportunities for further efficiencies here, whether through the use of call automation strategies (e.g., IVR, outbound text or e-mail, other) or by migrating callers to a web-based or self-service solution. Publishing work can potentially be transitioned to a managed print partner.
- If IPS moves to a fully outsourced transportation model, as discussed in the Transportation project section, it should consider shifting the response to the segment of calls associated with transportation to the transportation provider. This could

substantially reduce the need for IPS Public Relations personnel and enable IPS to precisely measure the provider on their call resolution performance.

- The Facility Maintenance Division's ("FMD") Telecommunications group should be integrated into the IT organization. These functions are IT-intensive and require a coordinated, digital approach. Having two organizations with such substantial functional overlap is a recipe for inefficiency and poor customer service. Given the small IT staff to begin with, we make no predictions as to the possibility of further rightsizing the combined organization.
- Organizations typically see telephone cost savings of 30% to 75% when moving to a VOIP solution.<sup>88</sup> A VOIP system would move IPS toward a less equipment-intensive, more technology-centric structure, which will facilitate other elements of managing the system in the future.
- The IT Division should continue its effort to reduce the number of software packages it supports by using as much Munis functionality as is possible. IPS should seek to reduce the number of software packages supported by 25% over the next five (5) years.
- Better management of software licenses could likely reduce total software license costs by 10% within two (2) years.
- IPS' control of its inventory of IT assets is rated by some in the organization to have been very poor in the past. The Project Team learned that the asset tags are associated with pieces of equipment, but not to individuals. This leads to a loss of equipment because no one knows who has what piece of equipment. This will require not only the implementation of the new software (Destiny Resource Manager from Follett has already been selected by the District for this function), but also improved internal controls. Some school districts outsource this function. It is uncertain how much could be saved by reducing inventory shrinkage, but the savings could be significant.
- Outsourcing desktop support could reduce costs; whether service quality could be maintained is uncertain, given the generally negative experience that IPS has had with outsourced help desk services.<sup>89</sup>
- IPS should continue to move towards procuring software as a service (SaaS), where possible. It is likely that IPS, like all organizations, will continue to struggle to attract and retain IT staff over the long term, and SaaS reduces the level of technical server support that IPS staff must handle. Additionally, SaaS provides a higher level of service and generally lower costs due to ease of deployment, ease of upgrades, and browser-accessibility for applications.<sup>90</sup>
- IPS has made progress in improving the consistency of services provided to/charges assessed to the innovation schools for IT.<sup>91</sup> However, more could be done to ensure that the District is fully recovering its costs for support. Perhaps developing an approach with standard support levels (Platinum, Gold, and Silver, for example) is possible that more specifically designates the IT services that IPS will and will not provide at each level.
- In February of 2016, ERS reported that IPS' Security staffing (FTE per 1000 students) was about 27% above the peer level.<sup>92</sup> While Security staffing is down approximately 10% in SY 2017-2018, factors such as the reduction in the number of IPS high schools may enable further rationalizations in Security over the long-term.

### 4.3 Non-Teacher, Non-Certified Administrator School-Based Staffing

#### 4.3.1 Current Costs and Trends

Nationally, the rate of growth in non-teacher positions at schools is higher than both the growth in the number of students and growth in the number of teachers. For example, from FY2012-2015 for all U.S. public schools, the number of students grew by 1.6%, the number of teachers grew by 0.9%, but the number of all other staff grew by 3.0%.<sup>93</sup>

The purpose of this project is to analyze those positions that are “school assigned”<sup>94</sup> but are neither teachers nor administrators.<sup>95</sup> The following are the 1,219 full- or part-time, school-assigned, non-teacher, non-administrator positions for the school year 2017-2018, including staffing trends from the two previous years.<sup>96</sup> There is no overlap between this group and the central office group, discussed previously.

Job Class Description	15-16	16-17	% Increase (Decr.)	17-18	% Increase (Decr.)	Annualized 2-Yr. % Increase (Decr.)
ADMINISTRATIVE ASSOC 195	1		-100%		N/A	N/A
ADMINISTRATIVE ASSOCIATE	10	12	20%	12	0%	10%
ADMINISTRATIVE ASST 10M	2	2	0%	1	-50%	-25%
ADMIN ASSOC 205D	56	49	-13%	46	-6%	-9%
ADULT ASSISTANT	1		-100%		N/A	-100%
ASSISTANT HEAD CUSTODIAN	13	12	-8%	9	-25%	-16%
ASST HEAD CUST ELEM	11	16	45%	15	-6%	20%
ATTENDANCE MENTOR		1	N/A		-100%	-100%
BEHAVIOR ADJUSTMENT FACIL	79	71	-10%	78	10%	0%
BI LINGUAL ASST DEGREE	38	32	-16%	41	28%	6%
BI LINGUAL ASST NDG	18	19	6%	20	5%	5%
BUS DRIVER	1		-100%		N/A	-100%
BUSINESS OPERATIONS B	1	1	0%	2	100%	50%
CLASSROOM ASSISTANT	92	118	28%	126	7%	18%
CLUSTER SUPPORT SPECIALIST	1	1	0%		-100%	-50%
COMPUTER SPECIALIST	1	3	200%	1	-67%	67%
COORDINATOR 12M SUPERVISORY	1	1	0%		-100%	-50%
COUNSELOR	45	47	4%	51	9%	6%
CRAFT A	2	2	0%	3	50%	25%
CRAFT B	1	1	0%	1	0%	0%
HEAD CUSTODIAN	66	69	5%	62	-10%	-3%
HIGH SCHOOL PRINCIPAL	1		-100%		N/A	-100%
INSTRUCTIONAL ASST	28	22	-21%	21	-5%	-13%
LEAD COUNSELOR	3	1	-67%	1	0%	-33%
LEARNING BEHAVIOR SUPPORT	23	19	-17%	20	5%	-6%

LIFEGUARD	1	1	0%	1	0%	0%
MAGNET PROFESSIONAL	21	20	-5%	18	-10%	-7%
MECHANICAL MAINTENANCE WKR	8	8	0%	7	-13%	-6%
MEDIA ASSISTANT	56	53	-5%	35	-34%	-20%
MEDIA SPECIALIST	33	33	0%	34	3%	2%
MEDICAL ASSISTANT	2	1	-50%	1	0%	-25%
NURSE	13	15	15%	9	-40%	-12%
OFFICE ASSISTANT 190 DAYS	13	15	15%	16	7%	11%
OFFICE ASSISTANT 195 DAYS	1	1	0%	1	0%	0%
OFFICE ASSOCIATE - 12 MONTHS	23	18	-22%	11	-39%	-30%
OFFICE ASSOCIATE - 190 DAYS	1	2	100%	4	100%	100%
OFFICE ASSOCIATE - 195 DAYS	30	21	-30%	23	10%	-10%
PAR INV EDUCATOR	67	61	-9%	49	-20%	-14%
PIANO ACCOMPANIST	2	2	0%	2	0%	0%
SOCIAL WORKER	66	69	5%	62	-10%	-3%
SPECIAL ED ASSISTANT	263	265	1%	227	-14%	-7%
STAFF CUSTODIAN	209	203	-3%	200	-1%	-2%
STOCKROOM CLERK I	1	1	0%	1	0%	0%
SUPPORT SPECIALIST	6	6	0%	7	17%	8%
SWIM ASSISTANT	2	2	0%	1	-50%	-25%
Grand Total:	1313	1296	-1%	1219	-6%	-4%

Job classification positions that have experienced significant growth include Office Assistant – 190 Days (+11%), Counselor (+6%), Classroom Assistants (+18%), and Bi-Lingual Assistants (+5%, +6%).

Major groups (> 50 staff) of school-assigned, non-teacher and non-administrator employees include:

Job Classification Description	Number
Special Ed Assistants	227
Staff Custodians	200
Classroom Assistants	126
Behavioral Adjustment Facilitators	78
Head Custodians	62
Social Workers	62

#### 4.3.2 Key Research Findings

- Even though per-student spending increased by 27 percent in real terms between 1992 and 2014, real average salaries for public school teachers nationwide fell by 2%. Thus, despite a significant increase in public spending on education, teachers were not

benefiting from increased salaries.<sup>97</sup> Rather, a large share of the increased spending was absorbed in the proliferation of non-teacher positions.

- In 2015, Indiana had a lower than average student-to-staff member ratio, at 7.5, versus 8.0 for the nation.<sup>98</sup> Conversely, it had a higher than average student-to-teacher ratio, at 18.5 versus 16.1.<sup>99</sup>
- Compared to its peers,<sup>100</sup> IPS has more staff but fewer teachers in its secondary schools. Relative to peers, IPS' secondary schools in 2016 had, on average, 46% more custodians and 13% more other non-teacher staff.<sup>101</sup> At that time, ERS estimated that IPS could free up \$2.1 million per year by reducing non-teacher staffing to peer levels.<sup>102</sup>
- ERS has reported to IPS that the median among peer schools is 7 custodians per 1000 students.<sup>103</sup> If you apply that ratio to IPS, its number of custodians would be approximately 210 assuming 30,927 students in IPS buildings. Adding in both school-based custodial staff and those custodial staff attached to centralized functions, the number of IPS custodians for SY 2017-2018 was 310.<sup>104</sup>
- As of 2015, the average pay for IPS teacher's aides was 14% above the ERS-selected peer median, but the number of teacher's aides per 500 students was about 22% below the peer median.<sup>105</sup> Additionally, the average pay for an IPS teacher was 2.2 times more than a teacher's aide in comparison to a peer ratio of 2.7 times for teacher versus aide pay.<sup>106</sup>

#### **4.3.3 Efficiency Opportunities**

- IPS should consider strategies for substantially reducing the number of its custodians to the peer level of 7/1000 students from its current level of approximately 9.5/1000 students.<sup>107</sup> This would be a reduction in custodial positions of about 92. This could include an internal strategy of workforce reduction through attrition.
- The number of IPS Classroom Assistants has increased significantly over the past two years despite the continued decline in IPS students (excluding non-LEA innovation students). This is a staffing number that could be closely tied to the total number of IPS students (excluding non-LEA innovation students) given that it is so directly connected to classroom size. Thus, IPS may consider reducing the total number of Classroom Assistants by about 3-4% annually through attrition, the rate at which the IPS student population has been declining over past years.<sup>108</sup>
- There are potential savings to be captured through expanding the outsourcing of IPS nursing services. We were told by IPS employees that the cost of an IPS nurse is about twice the cost of a contracted nurse due to the fact that the contractor can bill Medicaid for a share of the nurse's salary while the District cannot. To date, replacement has been by attrition. However, IPS could eliminate its current nursing positions<sup>109</sup> for nine (9) nurses for SY2018-2019 and convert immediately to entirely contract nursing services.<sup>110</sup>

### **4.4 Principals and Other Certified Administrators**

#### **4.4.1 Current Costs and Trends**

For SY 2017-2018, there were 178 individuals in Certified Administrator roles such as Principals, Assistant Principals, and other administrators assigned to IPS schools and to central administrative functions as follows.<sup>111</sup>

Job Class Description	Position Description	Total
<b>ELEM SCHOOL PRINCIPAL 12-MONTH</b>	PRINCIPAL	39
<b>10-MONTH ADMINISTRATOR</b>	ADMINISTRATOR	1
	ASSESSMENT COORDINATOR	1
	ASSISTANT PRINCIPAL	14
	CULTURE CLIMATE SPEC	7
	DEAN	18
	GRAD ACADEMIC COORDINATOR	1
	MAGNET ADMINISTRATOR	3
	MARION JAIL COORDINATOR	1
	NEWCOMER PROGRAM COORDINATOR	1
	STEP AHEAD COORDINATOR	1
<b>12-MONTH ADMINISTRATOR</b>	ASSISTANT PRINCIPAL	4
	ATHLETIC DIRECTOR	7
	COLLEGE READY COORDINATOR	1
	EH BEHAVIORAL SERVICES COORDINATOR	1
	HEALTH SERVICES COORDINATOR	1
	LEARN COMMUNICATIONS DIR	2
	LIFE SKILL AUTISM COORDINATOR	1
	ONLINE LEARNING COORDINATOR	1
	POSITIVE DISCIPLINE COORDINATOR	1
	POSITIVE SUPPORTS COORDINATOR	1
	PRINCIPAL	4
	SPED LEARNING COMMUNICATIONS DIR	1
	STUDENT SUPPORT STRATEGIST	2
	SUPERVISOR	1
	THERAPY PROGRAM COORDINATOR	2
	YOUNG CHILD COORDINATOR	1
<b>ASSISTANT ELEM PRINCIPAL 10MONTH</b>	ASSISTANT PRINCIPAL	34
<b>ASSISTANT MS PRINCIPAL 10-MONTH</b>	ASSISTANT PRINCIPAL	1
<b>COORDINATOR 12-MONTH NON-SUPERVISOR</b>	HIGH ABILITY COORDINATOR	1
<b>COORDINATOR 12-MONTH SUPERVISORY</b>	COORDINATOR ENL 12M SUP	1
	LITERACY COORDINATOR	1
	NON PUB TEAM COORDINATOR	1
	SPED INNOVATION COORDINATOR	1
<b>DEPUTY SUPERINTENDENT</b>	DEP SUPERINTENDENT	1
<b>HIGH SCHOOL PRINCIPAL</b>	HS PRINCIPAL SPEC ASSIGN	1
	PRINCIPAL TECH INTERIM	1
	PRINCIPAL	5
<b>SPECIAL SERVICES DIRECTOR</b>	ACADEMIC IMP OFFICER	1
	CAREER & TECH ED DIR	1
	CURRICULUM OFFICER	1
	DIR OF OPPORTUNITY CULTURE	1
	DIR OF PRINCIPAL DEVELOPMENT	1
	DIR STUDENT SERVICES	1
	DIR TRANSFORMATION	2
	INNOVATION OFFICER	1
	SCHOOL LEADER DEVELOPMENT DIR	1
	SPED OFFICER	1
	STUDENT SERVICES OFFICER	1

Grand Total	178
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This group of positions breaks down into the following general functions/locations:

Category/Location	Number
Principals in Schools	48
Assistant Principals in Schools	53
Other Administrators in Schools (Deans, Athletic Directors, Cultural Climate Specialists, etc.)	38
Administrators in Central Functions (Special Education Administrators, Associate Superintendents, Program Coordinators)	39
Grand Total	178

Over the past three years, the biggest proportionate declines have come in the number of elementary school principals, assistant elementary principals, and high school principals.<sup>112</sup>

Job Class Description	15-16	16-17	% Increase (Decr.)	17-18	% Increase (Decr.)	Annualized 2-Yr. % Increase (Decr.)
ELEM SCHL PRINCIPAL 12-MONTH	48	47	-2%	39	-17%	-9%
10-MONTH ADMINISTRATOR	57	53	-7%	48	-9%	-8%
12-MONTH ADMINISTRATOR	26	32	23%	31	-3%	10%
ASSISTANT ELEM PRINCIPAL 10-MONTH	33	44	33%	34	-23%	1%
ASSISTANT MS PRINCIPAL 10-MONTH	1	1	0%	1	0%	0%
COORDINATOR 12-MONTH NON-SUPERVISOR	1	1	0%	1	0%	0%
COORDINATOR 12-MONTH SUPERVISORY	5	5	0%	4	-20%	-10%
DEPUTY SUPERINTENDENT	1	1	0%	1	0%	0%
HIGH SCHOOL PRINCIPAL	10	10	0%	7	-30%	-15%
SPECIAL SERVICES DIRECTOR	13	13	0%	12	-8%	-4%
Grand Total	195	207	6%	178	-14%	-4%

Based on the preliminary data for SY 2018-2019, IPS appears to have the same number of principals in schools (48) and a reduced number of assistant principals (44) as in School Year 2017-2018.<sup>113</sup>

#### 4.4.2 Key Research Findings

- School leaders (principals) are extremely important to the success of today's school. In fact, "[R]esearch indicates that principals are second only to teachers as the most important school factor affecting student achievement."<sup>114</sup>
- Additionally, principal turnover is high in urban districts, with one study showing that one in three principals leaves within three years.<sup>115</sup> And, schools that lose principals tend

to underperform in the next year and can take as long as five years to get back on track. One study estimates the cost of replacing a principal at \$75,000.<sup>116</sup>

- As of December 2015, ERS reported that IPS doesn't provide its principals with the level of support that principals in peer districts receive. For example, an IPS principal had an average of 5.9 supporting staff versus 9.5 for its peer group.<sup>117</sup> IPS principals also receive less direct support from the central office.<sup>118</sup>
- IPS principals are underpaid in relation to their peers according to ERS, and Dr. Ferebee indicates that principals have not received a substantial increase in pay for a decade.<sup>119</sup> The exception is four high school principals who received salary increases with the reorganization of the high schools.<sup>120</sup>
- While they can play an important role in the academic environment, there appears to be less supporting research on the positive relationship between other types of administrators (e.g., deans and program administrators) and academic outcomes.

#### 4.4.3 Efficiency Opportunities

- Consistent with the continued decline of the (non-LEA innovation school) student headcount, IPS could reduce through attrition the number of *non-school based* administrators over the next three (3) years by 20%. This would equate to about eight positions.
- IPS could create an incentive (or remove the disincentive) for principals to be more cost-efficient/innovative. Ensure that within the portion of the budget that every school is provided, the principal is not under a "use it or lose it" policy where the District claws back unused funds at the end of the fiscal year. Instead, let principals roll forward money they save – perhaps 50% - with discretion to spend it on improvements/innovations the principal wants to implement.

### 4.5 Teacher Staffing and Compensation

#### 4.5.1 Current Costs and Trends

For school year 2017-2018, the District has 4,392 total full-time and part-time employees.<sup>121</sup> This number does not include approximately 450 temporary staff<sup>122</sup> filling positions such as tutors, after school activity attendants, and temporary workers.

As of April 2018, there were 2,102 teachers throughout the IPS system, approximately 48% of the full-time workforce. The fully loaded labor costs for teachers were about \$162,148,280<sup>123</sup> in 2017-2018. For School Year 2017-2018, teacher positions were distributed in the following manner, including staffing trends over the last two years:<sup>124</sup>

Group	15-16	16-17	% Increase (Decr.)	17-18	% Increase (Decr.)	Annualized. 2-Yr. % Increase (Decr.)
Art Teachers	67	64	-4%	58	-9%	-7%
Certified	8	10	25%	8	-20%	0%
Athletic Trainer						
Certified Coach	133	137	3%	136	-1%	1%



Community Intervention Coordinator	1		-100%			-50%
Elementary Teachers	747	689	-8%	622	-10%	-8%
ESL Teachers	80	89	11%	92	3%	8%
Foreign Language Teachers	34	33	-3%	40	21%	9%
High School Teachers	205	210	2%	197	-6%	-2%
Instructional Coordinators	3	5	67%	5	0%	33%
Intervention Specialists	43	39	-9%	30	-23%	-15%
Key School Teacher	1		-100%			-50%
Kindergarten Teachers	137	129	-6%	107	-17%	-11%
Middle School Teachers	144	159	10%	166	4%	8%
Music Teachers	78	78	0%	68	-13%	-6%
Physical Education Teachers	80	76	-5%	73	-4%	-4%
Pre-School Teachers	41	40	-2%	40	0%	-1%
Special Education Teachers	475	435	-8%	411	-6%	-7%
Teacher on Special Assignment	2	1	-50%	1	0%	-25%
Title I Teacher	8	9	13%	17	89%	56%
Vocational Teachers	23	24	4%	31	29%	17%
<b>TOTAL:</b>	<b>2,310</b>	<b>2,227</b>	<b>-4%</b>	<b>2,102</b>	<b>-6%</b>	<b>-5%</b>

Of these teachers, the following positions are not listed as being assigned to particular schools. Based on what we learned in interviews, some of the individual positions, however, are actually deployed to schools. Others have duties that include working in multiple schools or in central functions in support of teachers.

Location	Position	Number
Associate Superintendent	Certified Coach	9
Continuous Improvement Department	Certified Coach	2
Curriculum & Instruction	Certified Coach	12
English as a Second Language	Certified Coach	7
Human Resource Division	Elementary Teacher	1

Marion County Jail	Special Education Teacher	2
Programs for Young Children	Special Education Teacher	2
Special Education Department	Certified Coach	32
Special Education Department	High School Teacher	2
Special Education Department	Special Education Teacher	74
Student Services	Certified Coach	7
Student Services	Teacher on Special Assignment	1
Supplemental and Auxiliary Services Division	Title 1 Teacher	16
<b>TOTAL:</b>		<b>167</b>

In a presentation to the Chamber in February 2018, the District reported that it has a student-teacher ratio of approximately 10.5.<sup>125</sup> Using perhaps slightly different data, the Project Team calculated the student-teacher ratio at 11.4, using 2,102 as the number of certified teachers and 24,032 as the number of all IPS students (not including innovation schools):<sup>126</sup>

	School Year 2015-2016	School Year 2016-2017	School Year 2017-2018
<b>Students</b> <sup>127</sup>	27,988	26,145	24,032
<b>Teachers</b> <sup>128</sup>	2,310	2,227	2,102
<b>Ratios</b>	<b>12.1</b>	<b>11.7</b>	<b>11.4</b>

The rate of decline in the number of IPS students has exceeded that of the number of IPS teachers, leading to a consistent decrease in the student teacher ratio since 2015. These student-teacher ratios, however, would surprise most IPS classroom teachers who experience substantially higher ratios. This ratio is a function of some number of teachers who are not in classroom roles as well as the fact that some teachers, such as those that serve Special Education children, have a very small number of students.

Each year, IPS loses a substantial number of teachers. For the last two years, IPS has lost about a quarter of its teachers. Some leave to teach in other districts, others go to independent charter schools, some leave the profession entirely, and still others go to innovation schools within IPS where they are no longer counted as employees of IPS.

The attrition rates calculated for IPS teachers for the last two years are as follows.<sup>129</sup>

15-16 Teachers	Remaining 15-16 Teachers in 16-17	% Attrition	16-17 Teachers	Remaining 16-17 Teachers in 17-18	% Attrition
2,310	1,705	26%	2,227	1,671	25%

Some of these teachers leave for innovation schools, although it is uncertain how many that is because resignations for innovation schools are not tracked within the District's HR Information System ("HRIS").<sup>130</sup> However, a sample of the resignations in May and June of 2017 showed that approximately 23 out of 64 (in May) and 8 out of 86 (in June) teacher resignations were to move to innovation schools.<sup>131</sup>

#### 4.5.2 Key Research Findings

- IPS teacher morale is very poor – even when compared to other urban school districts, according to ERS. In 2015, ERS measured the District’s Net Promoter Score, which measures positive teacher assessments minus negative teacher assessments, to be **-70%**.<sup>132</sup> The District has no evidence that teacher morale has improved meaningfully since that point.<sup>133</sup>
- At approximately 11.4, IPS’ student-to-teacher ratio is well below the average ratio (approximately 13.9 to 1) of the other large Indiana school districts that IPS views as its peers (e.g. Metropolitan School District of Pike Township, Metropolitan School District of Wayne Township, Fort Wayne Community Schools, Evansville-Vanderburgh School Corporation).<sup>134</sup>
- Microsoft founder, Bill Gates, in a presentation to the Council of Chief State School Officers, indicated that “[c]onservative estimates suggest that [schools] can save more than \$10,000 per classroom by increasing class size by just four pupils. If [schools] pay some of that money to [their] best teachers for taking in more students, [schools] accomplish three goals at once – [schools] save money, [schools] get more students in classrooms with highly effective teachers, and [schools] give [their] best teachers a real raise, not just for being good, but for taking on more work.”<sup>135</sup>
- In 2015, ERS determined that IPS invested more in its instructional coaches<sup>136</sup> than its peers at \$225 per pupil versus the peer median of \$132 per pupil.<sup>137</sup> The average IPS coach supported a smaller number of teachers (21) than the average instructional coach across the peer districts (33).<sup>138</sup> And, at the time, a third of instructional coaches were not assigned to specific schools.<sup>139</sup>
- Over the last few years, the District has implemented a teacher leadership program that involves “opportunity culture.” Now deployed in about 15 schools, the program provides additional compensation to experienced teachers who take on leadership tasks, including peer mentoring and providing support to other classes. Importantly, this effort does not require that these teachers leave the classroom entirely in order to take on a leadership role. The results in some schools have been dramatic – with teacher retention in School 107 rising from 50% to about 97%. Even if IPS is able to dramatically increase teacher pay as a by-product of this Assessment, we recommend that the District continue to expand the most successful elements of its opportunity culture model as a way to push additional authority to teachers in schools and to further reduce teacher attrition.<sup>140, 141</sup>
- The District is also impacted by a state law that dictates how it manages reductions in force (a “RIF”). State law currently requires that a RIF be based on seniority (that is, the newer teachers are let go first).<sup>142</sup> While we absolutely appreciate the importance of seniority to the District’s various labor partners, it seems unlikely that a State-mandated RIF process will consistently ensure that the highest quality teacher is always retained.
- The District’s current labor agreements do not aggressively implement pay-for-performance concepts. Members of the project team have worked with a wide range of public employees in a range of service verticals. Carefully developed and well-managed pay-for-performance strategies are often helpful in improving service and controlling costs.

#### 4.5.3 Efficiency Opportunities

- “Civilianize” positions where a teaching credential is not mandated or absolutely needed – in those instances where a teaching credential is not mandated for a position, but the presence

of the credential drives up the cost to fill the position, convert from a higher-cost teacher to a lower-cost non-teacher on a position-by-position basis.

- Selectively allow teachers to share in operational cost savings they can personally control and deliver – as contrasted with increasing class size, the teachers we spoke with were less opposed (but did not fully endorse) sharing in operational savings that they generate. For example, teachers could be paid more when their conduct helps to reduce the cost of substitute teachers (e.g., by reducing teacher sick time, FMLA, or other time off).
- Given the very high (and costly) teacher turnover issues, the District should develop additional data analytics capabilities in the Human Resources Department – including a data officer – to improve staff recruitment and retention. Both the Chicago (“CPS”) and Minneapolis (“MPS”) public school systems are using data analytics to improve hiring practices and reduce staff turnover. Efforts to analyze data in MPS are bearing fruit in terms of better teacher retention and improved diversity, with the District able to provide information to the principals who do the hiring to improve retention. The information is also shared with the education schools that are training new teachers to enable those schools to understand better who is succeeding in what type of environment.<sup>143</sup> Using this analytics approach, IPS should target to reduce teacher attrition rates from 25% to 10% over 8 years by creating a data analytics position to analyze teacher retention and turnover.
- Explore options to the existing seniority-based RIF policy. A RIF policy that focused on the District’s needs, teacher quality, and student achievement could potentially make more sense for students and families.
- As an extension of its overall innovation efforts (which seeks to improve overall student achievement), the District should identify opportunities to expand its pay-for-performance culture in other areas, including teacher compensation.
- Use continued natural attrition and small, incremental increases in student teacher ratios to drive up teacher pay. In speaking with District teachers, there was almost **uniform opposition** to increasing the student teacher ratio (e.g., increasing average class size). Nonetheless, we recommend that IPS explore opportunities to allow the most successful and experienced teachers to *voluntarily* take on additional students in their classes. In circumstances where teachers volunteer to do so, the District could share any to-be-created savings with the participating teacher.

## **4.6 Special Programs – SPED and ESL**

### **4.6.1 Current Costs and Trends**

IPS provides Special Education (“SPED”) services in its ~60 schools plus 46 non-public schools within the District boundaries. IPS’ SPED operations also include about 10 community pre-school locations and a half dozen other community locations.<sup>144</sup> Developmental services are provided to children as young as three years old because early intervention is viewed as key to addressing challenges early in the child’s life and saving money in the long run.<sup>145</sup> Specialized services are provided in compliance with federal and state law, requiring that every child warrants free and adequate public education.<sup>146</sup>

Referral of a student for the SPED evaluation process can come from a teacher or parent. There is a standard tool that IPS staff members use (the “Child Find process”) developed consistent with the requirements of state and federal law to assess children for SPED services. It assesses

children relative to 13 different categories of eligibility. Specialized staff members conduct some evaluations. For example, an Occupational Therapist (“OT”) must identify autism disorders.<sup>147</sup> For those students with special education needs identified through this process, an Individualized Education Program (“IEP”) document is developed that serves to define the particular challenges and to serve as a roadmap for the services and assistance the child will need from the District.

In March 2018, IPS reported its SY 2017-2018 Special Education student population at 5,558<sup>148</sup>. This represented 17.4% of the total IPS student population, including innovation schools.

For English as a Second Language (“ESL”), the specific services IPS provides to a student are determined through the development of an individual learning plan (“ILP”). This follows from a teacher or parent indicating that the student may need English language assistance and the use of the nationally recognized World-class Instructional Design and Assessment (“WIDA”)<sup>149</sup> assessment to determine proficiency. IPS provides specific levels of assistance based on the student’s individual needs. Immersion with supplementary assistance is the general approach for students with English language needs, although there are some dual-language schools instructing in both English and Spanish.<sup>150</sup>

IPS’ ESL student population for the SY 2017-2018 year is 4,728.<sup>151</sup> This represented 14.8% of the total IPS student population, including innovation schools.

The number of SPED and ESL students over the past five school years are as follows:<sup>152</sup>

Program	SY13-14	SY14-15	SY15-16	SY16-17	SY17-18	Change Over 5 Years
ESL	4,978	3,932	3,645	4,290 <sup>153</sup>	4,728	-5%
SPED	6,646	6,265	6,003	5,705	5,558	-16%

The ESL administrator recently stated that since the beginning of 2017, the District has experienced “far fewer refugees resettling in IPS.”<sup>154</sup> Thus, while the number of ESL student has grown over the last two years, further increases are not expected.

IPS’ expenditures for SPED and ESL significantly exceed program funds received from the federal and state governments for the purpose. This requires the use of general education funds to support the programs. These programs jointly consume over 10% of the District’s state tuition support.<sup>155</sup>

SY 2016-2017	K-12 SPED	ESL	Total
Federal Funds	\$8,797,364	\$756,817	\$9,554,181
State Funds <sup>156</sup>	\$18,479,450	\$895,359	\$19,374,809
Total Revenues	\$27,276,814	\$1,652,176	\$28,928,990
Total Cost	(\$46,035,290)	(\$9,347,480)	(\$55,382,770)
Gap Paid by General Fund	(\$18,758,476)	(\$7,695,304)	(\$26,453,780)

For SY 2018-2019, the District plans to reduce spending in the SPED and ESL programs by about \$2.75 million, driven primarily by falling demand over the last five years.<sup>157</sup>

### SPED

Of the total SPED workforce, 55% are teachers and 33% are aides. The remainder of the SPED staff is made up of various other roles including psychologists, social workers, and occupational and physical therapists. Since SY 2015-2016, overall SPED staffing has declined by a total of 12%, which is generally consistent with fewer students over the last five years.

Job Class Description	15-16	16-17	% Incr. (Decr.)	17-18	% Incr. (Decr.)	2-yr. Annualized Incr. (Decr.)
10 MONTH ADMINISTRATOR	3	0	-100%	0	N/A	-50%
12 MONTH ADMINISTRATOR	10	12	20%	12	0%	10%
ADMINISTRATIVE ASSOCIATE	0	1	N/A	1	0%	N/A
BUSINESS OPERATIONS E	1	2	100%	1	-50%	0%
CERTIFIED COACH	19	36	89%	32	-11%	34%
COORDINATOR 12M SUPERVISORY	1	2	100%	2	0%	50%
COUNSELOR	0	1	N/A	2	100%	N/A
EDUCATION GROUP B	8	8	0%	7	-13%	-6%
ELEMENTARY TCHR	1	0	-100%	0	N/A	-50%
EXECUTIVE ASST.	1	0	-100%	0	N/A	-50%
HIGH SCHOOL TCHR	2	2	0%	2	0%	0%
INST SUPPORT MINI BUS DRIVER	3	3	0%	1	-67%	-33%
NURSE	0	1	N/A	0	-100%	N/A
OCC/PHYSICAL THERAPIST	2	3	50%	5	67%	75%
OFFICE ASSOCIATE - 12 MONTHS	4		-100%		N/A	-50%
OFFICE ASSOCIATE - 190 DAYS	2	1	-50%	1	0%	-25%
PSYCH INTERN CLASSIFIED	5	1	-80%	3	200%	-20%
PSYCHOLOGIST	24	19	-21%	13	-32%	-23%
SOCIAL WORKER	13	12	-8%	8	-33%	-19%
SPCH LANG. THERAPIST ASSISTANT	2	2	0%	2	0%	0%
SPECIAL ED ASSISTANT	280	296	6%	245	-17%	-6%
SPECIAL EDUCATION TCHR	475	435	-8%	411	-6%	-7%
SUPPORT SPECIALIST	0	0	N/A	2	N/A	N/A
TECHNOLOGY ASSISTANT	0	0	N/A	1	N/A	N/A
TEMPORARY WORKER	0	0	N/A	1	N/A	N/A
Grand Total	856	837	-2%	752	-10%	-6%

### ESL

Based on the IPS-provided data, there were 172 staff members associated with the ESL functions for SY 2017-2018. Over the last two years, overall ESL staffing has grown at an annualized rate of 8%.<sup>158</sup>

Job Class Description	15-16	16-17	% Incr. (Decr.)	17-18	% Incr.	2 yr. Annualized Incr. (Decr.)
10 MONTH ADMINISTRATOR	1	1	0%	1	0%	0%
ADMINISTRATIVE ASSOCIATE		1	N/A	1	0%	N/A
BI LINGUAL ASST DEGREE	38	33	-13%	42	27%	5%
BI LINGUAL ASST NDG	19	22	16%	23	5%	11%
CERTIFIED COACH	5	7	40%	7	0%	20%
COORDINATOR 12M SUPERVISORY	1	1	0%	1	0%	0%
EDUCATION GROUP B	3	2	-33%		-100%	-50%
ESL TCHR	80	89	11%	91	2%	7%
PAR INV EDUCATOR	1	1	0%	2	100%	50%
SOCIAL WORKER	1		-100%		N/A	-50%
STUDENT ACTIVITIES COORDINATOR			N/A	4	N/A	N/A
Grand Total	149	157	5%	172	10%	8%

### **4.6.2 Key Research Findings**

Both SPED and ESL programs' leaders have administrative responsibilities that extend beyond program operations within IPS schools; both administer federal funds earmarked for these programs to 18 non-IPS entities operating within the District boundaries. This role includes monitoring federal program requirements around the release of appropriate funds for use at these non-IPS schools.<sup>159</sup> IPS does not have ability to recoup the time and resources spent in performing these duties.

### SPED

- Nationwide, SPED-related spending has increased dramatically over the past decades. According to a national review by the Fordham Institute, "Between 1996 and 2005, an estimated 40 percent of all new spending in education went to special education services. Special education spending consumed about 21 percent of all education spending across the nation in 2005 (compared with 18 percent in 1996 and 17 percent in 1991), or a whopping \$110 billion in that year alone."<sup>160</sup> This significant increase has not led to significant gains in the performance of SPED students relative to their non-SPED peers.<sup>161</sup>
- Additionally, a study of ten paired districts across five states revealed that more money does not automatically improve student achievement. For example, "On average, the higher-achieving districts within our pairs had 25 percent more SPED pupils at the proficient level, although the lower achieving district in the pair spent 22 percent more

(adjusted for total student enrollment).<sup>162</sup> Thus, there is not necessarily a correlation between spending more money on SPED services and achieving improved outcomes.

- IPS has a higher percentage of both SPED and ESL students than the state average. For SY 2016-2017, 17% of IPS' students received SPED services, compared with 14.5% for the State of Indiana as a whole. Nationally, 12-13% of students receive special education services.<sup>163</sup>
- Work that ERS has done on IPS' SPED identification process determined that:
  - Identification rates within IPS by race/ethnicity, gender and grade level vary from some national standards. This showed a higher IPS identification rate among both African-American and Caucasian boys (vs. boys of other backgrounds and girls).<sup>164</sup>
  - Further work on investigating IEP processes and frequency of referrals may reveal over-identification.<sup>165</sup>
- Despite the declining number of SPED students overall, there are particular populations for which the number appears to be increasing. These include deaf/hard of hearing and blind/low vision (areas that have increased by 50% over the last three years) and preschool developmental delay (also increased by 50% over the last three years, perhaps in response to the opioid crisis).<sup>166</sup>
- IPS' consultant ERS previously reported that IPS was on the "high end" of a peer group in terms of the percentage of students identified as having disabilities. In December of 2015, IPS' percentage was 16%, which exceeded the peer group average of 12%.<sup>167</sup> ERS also noted that IPS' percentage of students identified with special needs begins early and remains above all peers except Cleveland for all grades. Accordingly, IPS' SPED spending was more than its peers.
- IPS has more SPED teachers based on student population numbers than national peers and slightly fewer SPED paraprofessionals. If IPS were at the national median of 7.6 SPED teachers for every 1,000 students,<sup>168</sup> there would be about 243 SPED teachers in IPS. For SY 2017-2018, IPS has 411 SPED teachers.<sup>169</sup> This excludes IPS' special education therapists, psychologists, administrators, etc.
- "Prior research has shown great variation—from state to state and from district to district—in the rates at which students are identified as having special needs and thus eligible for special education services."<sup>170</sup>
- In the matched pairs of SPED spending and performance analysis study previously referenced, "[O]n average, the higher-spending, lower-achieving districts had 25 percent more teachers and paraprofessionals combined (and adjusted for total enrollment) than their counterparts."<sup>171</sup> That is, in that study, higher levels of SPED staffing correlated with lower levels of student performance.
- The Franklin, Indiana school district has had success in managing SPED costs closely by focusing on the Essential Skills ("ES") section of SPED. A board member reports, "*The challenge is balancing resources (teachers and aids) in a dynamic environment. The real issue has been each grade level has attempted to solve their issues independently, rather than collectively. This causes multiple issues, mainly that ES becomes a "dumping ground" (in the words of a special ed. teacher) for students with high cognitive ability, but challenging behaviors. So, optimization at one level affects the overall objectives of the ES program. This project is more focused on strategy and putting into place a more structured framework to manage ES inside SPED. The real benefit here is getting*



*alignment on clarity of mission, what the actual problems are, and clarifying the "business processes" around managing ES.*"<sup>172</sup>

- Federal law expressly prohibits the use of cost as a consideration in the development of a SPED student's IEP.<sup>173</sup>
- The SPED program is subject to Federal Maintenance of Effort ("MOE") requirements. This means that, except for certain circumstances which must be documented (e.g., a reduction in the SPED population, higher salaried SPED teachers retiring, etc.), the District must spend at least as much as the year before or risk having the shortfall taken out of its federal appropriation in following years.<sup>174</sup>
- IPS Special Education Officer Brent Freeman reports that his office has been focused on finding efficiencies in SPED service delivery. For example, they have reallocated funds from District offices to schools and relocated additional positions to schools. They spend \$7-8 million on contracted services such as for speech and language therapists (33 of 43 schools are contracted out).<sup>175</sup>
- Conversely, IPS is in-sourcing the contract for behavior mentors. This contract has cost about \$700,000 annually and IPS believes that bringing it in-house will cost about \$500,000.<sup>176</sup>

### ESL

- For ESL in SY 2016-2017, IPS' percentage of 14.4% compares to the statewide ESL percentage of 4.5%.<sup>177</sup> IPS' percentage of ESL is very close to the national average in other cities (ESL is 14.2 percent of total public school enrollment in cities and 16.8 percent of enrollment in large cities).<sup>178</sup>
- IPS' ISTEP+ passage rates for both English Language Arts and Math for the District's English Language Learners ("ELL") were generally lower than the other Marion County township school systems and the Gary system for the same population.<sup>179</sup> Similarly, the four-year graduation rates for the District's ELL population were slightly lower than the other Marion County systems.<sup>180</sup>
- Previously, not all elementary school sites provided ESL services; now all sites do. However, this has come at a higher cost for transportation. Students living in the geographic zone of a school that previously did not have ESL services, but now does, are allowed by the District to continue to receive transportation to their previous school that provided ESL services, despite the distance. This also applies to any siblings of that child.<sup>181</sup>
- The initial identification of students for ESL services through a home language survey is driven by a federal requirement. The determination of the level of services to which the child is entitled, based on the student's performance on that assessment, is determined by State of Indiana standards. Those state standards, in turn, are a function of the state's participation in the WIDA consortium along with 38 other states. Recent changes (from 2016-2017) by the WIDA consortium have resulted in *far fewer students exiting the ESL program than before*, thus keeping up IPS' costs to provide continued services. For example,
  - In 2016, about 900 students exited the program;
  - In 2017, about 40 students exit the program; and
  - In 2018, about 115 exited the program.<sup>182</sup>

### 4.6.3 Efficiency Opportunities

#### SPED

- IPS leadership appears to be managing the program efficiently. We encourage continuation of the District's efforts to avoid over-identification. No further opportunities are identified.

#### ESL

- The impact of the WIDA change in 2017 to the standard at which students are judged to no longer need service has significantly increased the number of students remaining in the program. The magnitude of the change suggests that something fundamental has changed regarding the approach taken by WIDA. At a minimum, IPS should communicate to state legislators the impact that this has had so that the state DOE can understand the cost of continued participation in the WIDA consortium.
- Recent discussions with IPS administrators indicate that while the number of ESL students has increased over the past two years, this is not expected to continue.<sup>183</sup> There should be opportunities, therefore, to reduce the number of ESL-program employees such as bi-lingual assistants by approximately 10% over the next five (5) years, consistent with the anticipated decline in student numbers.

## 4.7 School Structure

### 4.7.1 Current Costs and Trends

For a large urban district, IPS has a substantial number of schools that are smaller than optimal, in part due to an explicit strategy to operate kindergarten through 8<sup>th</sup> grade ("K-8") schools versus a model that separately educates students in elementary schools and middle schools ("ES/MS"). The latter approach allows larger numbers of students per grade, which creates operational efficiencies. From a cost perspective, this is significant. For example, IPS' consultant ERS estimates that a K-8 school must invest 10% more per student in teachers than an "otherwise similar" K-6.<sup>184</sup>

For 2018-2019, IPS currently projects that 19 schools (not including non-LEA innovation schools) will fall below the 350 students for elementary or 500 students for secondary schools thresholds.<sup>185</sup> Another seven (7) schools meet or exceed these numeric thresholds but only because a both elementary and secondary (via K-8) are at the same location.<sup>186</sup> Thus, from an efficiency standpoint, both the relatively small school average size and K-8 strategy result in schools that are more costly on a per-pupil basis.

In the fall of SY 2017-2018, IPS had 3,823 students in its pre-K-6 or K-6 schools. At that time, IPS had 1,019 students in K-8 schools.<sup>187</sup>

### 4.7.2 Key Research Findings

- A number of IPS stakeholders interview expressed a strong commitment to the K-8 school model as one that involves fewer "forced" transitions in a school district in which movement between schools is already frequent.
- IPS' educational consultant ERS indicates that the research is not one-sided regarding the merits of the K-8 versus the ES/MS model. ERS indicates that, "[r]esearch on the value

*of middle schools vs. K-8s for middle-grades students is mixed, and both models offer significant benefits...The implication described here is a recognition that a K-8 model both costs more than an ES-MS model and limits opportunities for actions that are most likely to be drivers of instructional improvement.*"<sup>188</sup>

- ERS also notes that, "[M]ost schools with smaller populations have small grade sizes (as do K-8 schools), which limit[s] opportunities for collaboration and differentiating instruction – especially in a system with high turnover and lots of novice teachers."<sup>189</sup> The key issue for creating success with the ES/MS model appears to be school leaders' commitment to creating a "great middle grades experience" regardless of the school's overall grade configuration.
- IPS doesn't currently have facilities in its inventory that would support larger schools with fewer grades.<sup>190</sup>
- ERS estimates that if IPS were able to move to an ES/MS system in which all of its non-innovation schools were K-5 and 6-8, the district could reduce operating costs by up to \$8.6 million per year.<sup>191</sup> In addition, IPS could improve funding equity across students.<sup>192</sup>
- In its April, 2017, analysis ERS focuses primarily on the teaching cost savings that would result from this model, which would allow for the percentage of schools that can support teaching teams of three (3) or more to rise from the current level of 32% to 71%.<sup>193</sup> This would be enabled by an increase in IPS' average grade size per school from the current 83 to 138.<sup>194</sup>

#### **4.7.3 Efficiency Opportunities**

- Implementing an ES/MS strategy over three (3) years and capturing the associated savings could be a means by which IPS reduces per pupil costs.

### **4.8 Facilities**

#### **4.8.1 Current Costs and Trends**

IPS owns dozens of buildings accounting for nearly 8.4 million square feet of facility space.<sup>195</sup> The inventory of buildings has a median age of 56 years. While IPS does lease rather than own some space (e.g., Simon Youth Academy), the IPS Multi-School Building Corporation owns most of the facilities used by IPS. The District established the corporation to finance real estate transactions and investments. The debt load associated with the facilities is approximately \$650 million and is secured by lease payments equal to the District's debt service (from property tax dollars) and mortgages on the properties.

The District also has a central office facility on the near northside of downtown Indianapolis. The facility has structured parking and more than 200,000 square feet of office space. The facility's utilization has fallen as the District has eliminated many central office positions.

Following a long, and difficult community-focused process, IPS made the decision to close one high school, convert two others to middle schools, and only operate four high schools effective in SY 2018-2019. Additionally, prior to this decision, IPS undertook many of the suggestions outlined in the 2013 Chamber study and disposed of non-education facilities within its portfolio including warehouse space and the "Coca-Cola" lot on Massachusetts Avenue. These decisions

demonstrated a willingness to deal with the historical structural imbalance of facility capacity versus need.

## 4.8.2 Key Research Findings

### Capacity

- “In Center Township, the resident population has decreased from 337,211 in 1950 to 142,787 in 2010, a drop of 58 percent.<sup>196</sup> Residents most likely to leave have often had higher incomes than those who remain. This results in a lower property- and income-tax base to support the District and the city.”<sup>197</sup> This is reflected in Section 3.4 in the preceding, which shows that the median homestead gross assessed value in the IPS District is lower than in every other Marion County school district.
- More recently, the population of Indianapolis, including Center Township, has started slowly to reverse past trends and grow rather than shrink. “In 2015, the City of Indianapolis added 4,188 residents. During 2016, the City of Indianapolis added 3,171 residents.”<sup>198</sup> However, the Taskforce did not find any evidence that the IPS high school population would see a boost in the next ten years, noting that IPS could serve its entire population with 2.1 high schools.<sup>199</sup> Even with just four operating high schools, IPS expects the average utilization rate of the facilities to be 69%.<sup>200</sup>
- Beginning in school year 2018-2019, while IPS moves to restructure its high school portfolio, it will retain four schools instead of three. As the Taskforce noted, the rationale for keeping four is that, “operating only three schools would not provide adequate flexibility to adjust to unforeseen enrollment shifts...”<sup>201</sup> It is not clear why IPS believes enrollment shifts might occur, or where those unforeseen population shifts would occur.
- IPS expects to have 32,382 students in SY 2018-2019, with 30,927 students in facilities IPS owns.<sup>202</sup> IPS owns facilities with capacity for more than 50,000 students. However, the District has begun to trim some seat capacity. The decision to sell old buildings, close Broad Ripple and John Marshall and not to keep open Howe and Manual following the end of the turnaround agreement in 2020, has removed capacity from the system. Therefore, going into the 2018-19 school year, IPS will likely have a capacity of approximately 43,178.<sup>203</sup>

Student Capacity for all IPS Schools	43,178
Expected SY 18-19 enrollment at IPS-owned schools	31,429
Allowance for 10% growth within IPS-owned schools	3,143
Total needed capacity	34,572
Number of seats to remove to match capacity with need	8,606

- Because populating schools with students is not an exact science and targeting 100% utilization in all facilities is not reasonable, for this analysis we assumed a more conservative 90% facility utilization rate for the District. Currently, 19 IPS schools have utilization rates of 90% or more, so we assumed that both the District and the schools can manage that rate.<sup>204</sup> To accomplish a District average of 90% utilization rate, with current

enrollment in IPS facilities, the seat capacity should shrink to approximately 34,572,<sup>205</sup> a reduction of approximately 8,606 seats.<sup>206</sup>

- As noted in the Taskforce study, IPS high schools (or former high schools) are generally large facilities ranging in capacity between 1,375 and 3,000 students. The median capacity of an IPS school building is 523 students while the median occupancy is 413 students. Therefore, to trim 8,606 seats, IPS would likely need to close 15-20 schools.
- School closure is made more challenging because IPS has debt on all but a portion of their buildings. To dispose of a building with current debt, it must be pulled out of the bond financing structure and replaced with another asset of equal value (with the permission of the trustee), as well as address potentially significant Internal Revenue Service issues resulting from the associated debt being tax-exempt.<sup>207</sup> Therefore, to reduce capacity further, IPS will have to balance a host of issues such as needed building types, location, physical condition, debt encumbrance, potential tax impacts and programs offered.

### Maintenance

- Using its new Allovue accounting system, IPS has begun the process of implementing site-based capital projects budgeting. Currently, IPS budgets \$54.9 million for all capital projects and allocates the majority of that across its schools. The median capital projects budget per school is \$129,000. The Facilities Maintenance Division (“FMD”), which is responsible for the service and maintenance of all IPS facilities, has a budget of \$8.9 million and another \$6.3 million for skilled trades individuals who work in the division. These plumbers, carpenters, painters and HVAC staff work directly for the District and work in school facilities. Finally, an additional \$5.9 million is budgeted to an IPS general cost center, for a total FMD-non-school building allocated budget of \$21.2 million. FMD employs 390 individuals to service IPS facilities.
- FMD responds to service requests that IPS facilities submit and either perform the required work, or manage the work when performed by a contractor. Currently, FMD does not charge back schools for the work it does in their building, therefore the FMD and related costs are distributed across the entire district resulting in an average cost of \$2.51 per square foot.<sup>208</sup> Additionally, FMD has one employee per 21,721 s/f of district space.<sup>209</sup> Interviews with non-FMD employees indicate that while buildings are often well-maintained, they are not always maintained consistently from one to another.<sup>210</sup>
- The median IPS school facility is approximately 80,000 square feet; therefore, if facilities are closed to reduce the District’s capacity, it would save approximately \$200,000 for each school closed and result in a reduction of 3.5 FMD FTEs.

### Energy

- IPS is a significant energy user with the median utility budget for District buildings of over \$100,000 apiece and a total budget for 2018 of more than \$13 million. The District has taken some initial steps towards energy conservation, and recently received a proposal to engage with an energy consultant to evaluate current operations and advise it on methods to lower consumption. The consultant would then share the savings with the District 50/50 for a term of five years. It is believed the proposal and been endorsed by the School Board but it is not clear if an agreement has been executed.

- Regardless, it is clear the District believes a significant amount of energy efficiency work could be undertaken; it originally identified nearly \$32 million in energy efficiency projects in its recent capital referendum request, although those projects were subsequently removed from the request. Energy efficiency projects, when funded from energy savings, are generally a good investment. IPS is in a good position to develop a system-wide, competitively procured energy savings performance contract (“ESPC”). The ESPC arena is well-developed and highly competitive, and public sector players have been national leaders on these energy savings partnerships.
- Similar to the existing offer in IPS’ possession, an energy audit could be performed to determine where and how much savings are possible. A full ESPC would also make capital investment recommendations that would have a positive return on investment for the District. While the District may have a lower cost of capital in issuing debt and may be able to do the energy savings work internally, a competitively selected energy service company might bring additional discipline to the transactions. It may have more experience regarding project selection and management, more rapid implementation timelines, and more advanced tools for ensuring success and capturing the ROI. They can also provide the up-front capital and accept the financial risk that the capital investments pay off over time.

#### Structure

- While IPS clearly has excess capacity today, a better model may be one in which the District is not saddled with buildings of limited utility due to location, structural constraints, academic designs or age. Conversely, if demand returns in the District in ways not currently envisioned, the need could arise for more seats. However, capacity not proximate to the localized areas experiencing current growth is of limited value.
- As the district moves to a portfolio-of-schools education model, it could consider moving in the same direction regarding facilities. While the current structure of using the IPS Multi-School Building Corporation to own IPS facilities appears to be primarily a financial strategy, it opens the door for the District to work with a 3<sup>rd</sup> party to provide academic facilities for both IPS and potentially other public educational operators such as charter schools. In this scenario, a specialized real estate management entity could contract not only with IPS but with public schools in the District boundaries to locate, site and secure facilities for student instruction, based on current demand.
- With a more limited, controlled supply, competition could be built for the operation of schools and the control of those seats. This would have the dual benefit of controlling the number of seats in the community and ensuring taxpayers are not “buying” more capacity than needed, at the same time, forcing all operators to improve their services or risk losing the location to a better-performing operator. Additionally, taxpayers would know that they are supporting efficient facility utilization in a strategic way.
- While this concept has challenges, not the least of which is the current state law governing the process the District must follow to dispose of property and the current debt attached to IPS buildings, this concept could allow IPS to move towards a future more focused on education and less on facilities.

### **4.8.3 Efficiency Opportunities**

#### Capacity

- As part of IPS' effort to increase facility utilization, it can leverage the process developed for the recent High School analysis and build a community-centric process to identify schools that can be closed to increase the utilization at remaining facilities and decrease overhead costs. IPS' goal should be to reduce excess seats and achieve a 90% utilization rate by SY 2021-2022.
- IPS has released a Request for Information ("RFI") for the IPS central office facility to determine if a development entity believes that the site has economic potential. Following the RFI process, IPS should determine how it can realize sale proceeds and reduced operating costs if it vacates the facility for a new location.

#### Maintenance

- IPS should place maintenance dollars in the school leader's budget and allow him/her the authority to buy needed services from FMD to avoid having work performed simply due to staff availability. This delegated authority would need to be subject to a regular site inspection to confirm that minimum maintenance standards are being met.
- Continue to right-size FMD as facilities are closed throughout the District so maintenance costs are reduced.

#### Energy

- Issue a Request for Proposal ("RFP") for a comprehensive energy savings contract across all facilities (include strategies for electric, water, wastewater, gas, and solar to maximize cost savings).

#### Structure

- Develop a strategic road map for a new entity to convert ownership of remaining facilities from the IPS Multi-School Building Corp.
- Embark upon a redistricting process that would include the mapping of the current and future population centers of the District and determine if more or fewer seats are required in all areas.
- Build a framework whereby non-IPS schools would be able to submit bids for facilities to operate educational program in former IPS schools.

## **4.9 Broad Ripple High School**

### **4.9.1 Current Costs and Trends**

For SY 2018-19, IPS has decided to convert two high schools to middle schools and close a third school, Broad Ripple High School ("BRHS"). Built in 1923, Broad Ripple sits on the northern edge of the IPS boundary in an area of Indianapolis that has a thriving subarea commercial market and an in-demand residential market.

During the high school taskforce work IPS conducted in 2017, IPS determined that re-structuring its high school footprint would save the District approximately \$4.3 million a year in staffing costs.<sup>211</sup> While those savings are the culmination of an overall reconfiguration of the District's

high school footprint, some savings are directly tied to Broad Ripple. For example, the 2017-18 utility budget for BRHS was \$499,000.<sup>212</sup> The capital budget via FMD was another \$587,281.<sup>213</sup> Additionally, another \$832,000 of non-allocated FMD costs could be assigned to the building. It is projected that the school has approximately \$15.5 million of deferred maintenance<sup>214</sup> and it will have debt associated from the last capital project until 2028.

Since the plan to close BRHS was approved, IPS has considered selling the facility as the most desirable option. The District attached a potential sales price of \$6 to \$8 million to the site.<sup>215</sup> However, current state law requires school districts to make available a closed school building that was formerly used for instruction to charter school operators for \$1.<sup>216</sup> If no operator seeks the property within two years, the school district can dispose of the site via normal disposition rules.

#### **4.9.2 Key Research Findings**

- Located on the area's main commercial corridor, the BRHS site covers approximately 14 acres and the building contains more than 300,000 square feet. While Broad Ripple is a long-established neighborhood, it has attracted significant investment recently, including The Coil, a \$37 million mixed use commercial and residential rental project on the site of a long-closed gas station.
- Broad Ripple High School is currently zoned SU-2 (school facility) therefore; any use other than a school on the site will require a variance or rezoning. Armed with the feedback from Broad Ripple stakeholders, the Broad Ripple Village Association ("BRVA") is expected to oppose a potential change to this zoning if the project does not incorporate some educational uses.<sup>217</sup> While it is impossible to predict, land use and contested zoning processes can be very lengthy and unpredictable, which in turn could limit the actual purchase price IPS could realize, particularly if it desires to close near term budget shortfalls.
- The existing debt associated with Broad Ripple stems from IPS Capital Improvement Phase I work and will be retired in 10 years. However, if the property leaves IPS' ownership prior to eliminating the debt, the District will have to replace the security the school represents to the bond holders with other facilities of equal value and obtain the consent of the bond trustee or otherwise retire the debt.
- With IPS considering ways to dispose of the facility, and the Broad Ripple community focused on retaining an educational use for the building, two current IPS Innovation School partners were mentioned as possible users for the facility. In published reports, Purdue Polytechnic (a new charter innovation school) and Herron High School (an established charter and new innovation school) expressed varying degrees of interest in working with IPS to find a solution involving Broad Ripple.<sup>218</sup>
- Purdue Polytechnic, the first campus of which opened in fall of 2017, is already seeking a second charter to open a new location. It is targeting the near Northside of Indianapolis and has expressed an interest in the facility and the potential to structure a very long term lease with IPS whereby the District could receive either an upfront payment of \$8 million, or a much greater revenue stream over time via yearly payments, provided that Purdue could find another, complimentary school to co-locate and share overhead costs.<sup>219</sup> A lease plan would require the school tenants to pay for the facility's utilities but for IPS to cover major physical plant issues. Purdue further suggested that it would be



open to the southern portion of the site being developed for compatible commercial or residential purposes, with the benefit flowing to IPS.

- Having high quality charter innovation schools such as Purdue Polytechnic and Herron High School in the facility could be a benefit to IPS. While IPS has sought to site remaining high schools away from district boundaries and the competition for students that occurs there, both of these schools have the potential to attract students currently being served by other Northside schools in ways IPS has struggled to do. Additionally, students who currently reside in the Washington Township School District or in districts in Hamilton and Boone counties could seek a seat in either school outside of the allotment set aside for current IPS students, due to the schools' status as charters. This could result in an increase to IPS enrollment and funding, while driving up District academic results and graduation rates. Finally, replacing the current incarnation of BRHS with two desirable, high-quality innovation charter schools will further energize the residential market (rental and homeownership), thereby leading to an increase in property values for the area and also benefiting IPS.
- For IPS to leave the site where it has operated a high school for more than 90 years only to have two charter innovation schools move in is an understandable challenge. However, it is more manageable than the challenges present if IPS seeks to overcome current state law, sell the site to a commercial/residential developer without the needed zoning in place and overcome community opposition.

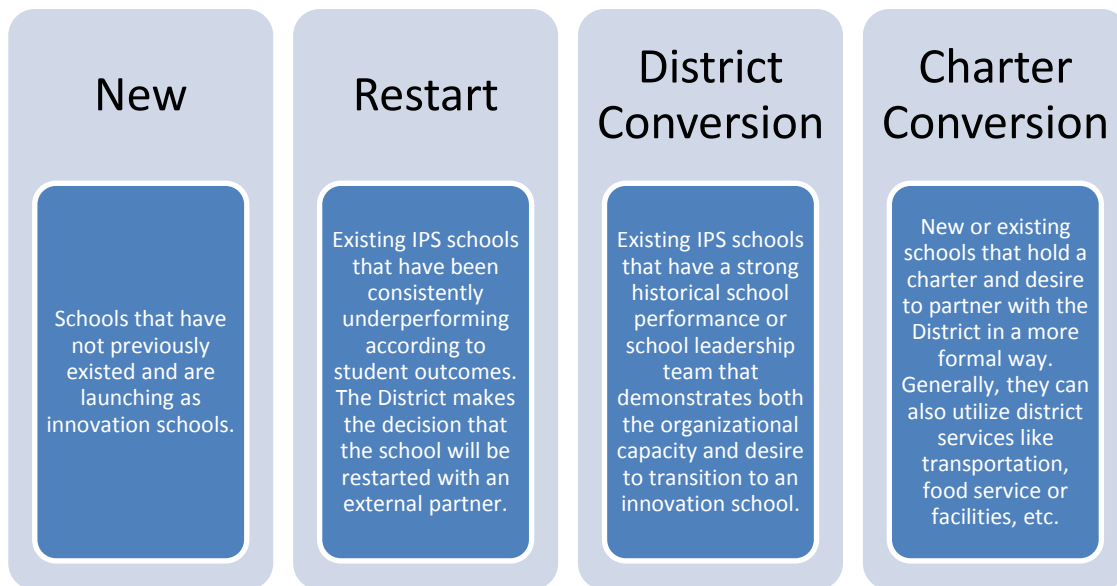
#### **4.9.3 Efficiency Opportunities**

- IPS has acknowledged the market value that exists with Broad Ripple High School, but has noted the challenges as well, including current state law and bond obligations. A long-term lease or other arrangement including innovation agreement(s) with an education entity or entities appears to be the course that will net IPS the highest value in the shortest timeframe. While a lease-like arrangement with an upfront payment would be able to match a potential market price offer, a lease-like arrangement with a yearly payment will result in more revenue for the District. Further, IPS could seek to subdivide the parcel so the southern portion can be sold for complimentary redevelopment, although bond encumbrances will need to be addressed.<sup>220</sup> A lump sum lease payment from a transaction with Purdue Polytechnic and Herron High School could equal approximately \$8 million, while a yearly lease payment could equal \$600,000. In either case, as the building owner and under the terms discussed publicly, IPS would remain responsible for major capital projects while the operators pay for utilities and routine maintenance.

### **4.10 Innovation Schools**

#### **4.10.1 Current Costs and Trends**

IPS' leadership has largely embraced the flexibility afforded it from the Indiana Legislature in 2014 to designate innovation schools within the district. These schools can be structured in one of the following ways:



For SY 2018-19, there will be 20 innovation schools<sup>221</sup>, which are expected to serve nearly 8,000 students.<sup>222</sup>

School	Type	Origin	Located in an IPS Facility?
Avondale Meadows Middle School	Charter	New	No
Cold Spring School	Non-charter	District Conversion	Yes
Edison School of the Arts	Non-charter	District Conversion	Yes
Emma Donnan Elementary School	Non-charter	New	Yes
Enlace Academy	Charter	New	Yes
Global Prep Academy	Charter	Restart	Yes
Herron High School	Charter	Charter Conversion	No
Ignite Achievement Academy	Charter	Restart	Yes
Kindezi Academy	Charter	Restart	Yes
KIPP Middle School	Charter	Charter Conversion	Yes
KIPP Elementary School	Charter	Charter Conversion	Yes
Matchbook Learning @ School 63	Charter	Restart	Yes
PLA @ School 103	Non-charter	Restart	Yes
PLA @ School 93	Non-charter	District Conversion	Yes
Purdue Polytechnic High School	Charter	New	No
Riverside High School	Charter	New	No
SUPER School	Non-charter	District Conversion	Yes
Thomas Gregg Neighborhood School	Non-charter	District Conversion	Yes
Thrival Academy	Non-charter	New	Yes
URBAN ACT Academy @ School 14	Charter	Restart	Yes

The innovation schools segment of the District is growing, while other areas are not. Currently, \$45 million dollars comes into IPS and then goes out via innovation school agreements. These funds, while significant, are not available to IPS for programing or management once distributed to the innovation schools.<sup>223</sup>

There are a variety of reasons a school might seek innovation status. For existing programs, innovation status can provide autonomy and greater freedom to pursue key objectives. For struggling schools, it can be a chance to restart as a new school while being freed from many District regulations. For new schools or charter schools (either new or existing), the opportunity to access select IPS services (if desired) and to access IPS students can be reasons to become innovation schools.<sup>224</sup> In exchange, IPS is able to “count” the students in those schools, many of which are doing well on accountability testing. Finally, as noted above, the financial impact to schools can also be a driver of their interest in becoming an innovation school.

IPS leaders have indicated that they would like to see its cadre of innovation schools continue to grow.<sup>225</sup> However, school commissioners and District leadership do not yet appear to have a unified vision for what the ideal number of innovation schools should be. Most frequently, an overarching model with 50% of the schools being run by the District and 50% by innovation partners was cited.<sup>226</sup> Additionally, there are instances where it has been observed that the District appears to consider students in innovation schools that were formerly IPS schools (Restarts or District conversions) to be “their” students more so than students enrolled at other types of innovation schools. This bifurcated view of the innovation school student population is not ideal for long-term success and further strains the relationship with schools that have elected to join the innovation model. Generally, the focus should be on promoting those school models that produce the best outcomes with IPS students, regardless of their structure.

#### **4.10.2 Key Research Findings**

- As the legislation to create innovation schools moved through the Legislature, IPS sought to reduce the conflict between it and other entities within traditional education and those who identified with efforts on the educational reform spectrum. It supported the initiative to bring innovation schools to fruition and set about trying to understand how these schools might work with the District, and what a contractual relationship might look like.
- As IPS’ agreements with innovation schools have taken shape, the District has sought to standardize terms of the process to remove “one off” elements when possible. However, IPS is committed towards seeking contract agreements that foster *equity*, not necessarily *equality*. This policy choice can lead to schools receiving different levels of support from IPS, in some cases with per student spending fluctuating by more than \$1,500 per ADM.<sup>227</sup>
- This policy choice can also lead IPS to make payments to innovation schools above the state reimbursement for those students. This over-investment currently occurs in some District schools, such as magnet programs and CFI schools. It is being addressed through student based budgeting (“SBA”), but nonetheless it currently has a bottom line impact. In 100% district-run school system, a school accepts the budget provided by the District. However, there could come a time when an innovation school with a charter might be asked to help support equity in the District by receiving *less* funding then that might get if it was not an innovation school. That will strain the innovation model. Finally, some IPS innovation schools have demographics distinctly different from the rest of the District,

which alters its overall complexity rating for student funding. In this way, an innovation school's demographic mix can "cost" the District money on a per student basis.

- For innovation schools likely to be successful, the District's policy must improve. In some cases, the innovation school reimbursement from the state can be more money than a school would otherwise receive, so it sees a net increase. In those cases, IPS might choose to not pass along the complexity or other factor payments if the innovation school's student body does not warrant the funding. While those funds can be helpful for the District, it has not developed a roadmap for how it will provide additional resources to future schools that need more money to ensure equitable education.
- A question of potential equity arises in reviewing how the proposed operational referendum and innovation schools will interact. As currently set, innovation schools that receive funding based on the student based allocation ("SBA") would get a proportional share of the new money from the operational referendum. However, schools that just get the state pass through or a defined amount as set out by the innovation agreement would not. Additionally, the portion of the funds that are designated for IPS staff (e.g. subsidizing health insurance premiums for another eight years) will not benefit innovation school staff. In this way, the segment of IPS' student population that is growing will be less served by the referendum than the balance of the District.
- Many innovation schools occupy IPS facilities and the District uses capital funds to maintain those facilities. To date, the District has not contractually imposed conditions on operators regarding meeting minimum capacity for the buildings. Reimbursements are tied to student population; therefore, schools receive less funding when their enrollment declines. However, the costs to maintain the facilities continue regardless of headcount. Underutilized buildings cost IPS capital funds and distribute those costs across too few students.<sup>228</sup> IPS could move to a model whereby innovation schools must maintain a high facility utilization rate, set either at a fixed figure, or tied to the overall District utilization rate. If tied together, IPS would be able to continually drive partners to keep pace as it implemented District-wide improvements and leverage its limited capital funds against facilities with high usage.
- Growth in the innovation school space has occurred largely without IPS working to generate interest. Some schools are the result of high-performing IPS school leaders deciding that the innovation model would be a path to pursue to continue to advance their culture of excellence. Only in the last year has a formal call for partnership gone out to possible entities looking to work with the District.<sup>229</sup> The District has sought to establish and maintain a high level of high quality innovation school operators. While more interest was generated with the outreach, it is expected 25% or less of the applications will be approved.<sup>230</sup>
- It is clear that the variety of innovation agreements currently in place strains IPS. The District seeks to balance school wants versus needs and achieve equity for students. That said, IPS should be careful, especially concerning innovation schools that are also charter schools that it continues to add value for those institutions. If it is selling few central services, providing small (if any) financial incentive, and/or frustrating efforts to recruit students, the innovation schools will be disinclined to remain in the system. Additionally, schools with charters have a freedom of mobility that other innovation schools do not. Finally, with the innovation schools growing in student count while the

District declines, IPS must decide how much it desires to have a large and diverse innovation schools program.

#### **4.10.3 Efficiency Opportunities**

- IPS should seek to achieve greater consistency in innovation agreements between schools and the District as much as possible. It should develop a process whereby innovation school partners can understand IPS' goals and expectations regarding equitable funding.
- IPS should include building utilization requirements when an IPS facility is used by an innovation school.
- IPS should develop “skinny” lines of services that are offered to innovation schools that are affordable. It should treat innovation schools both like partners and customers and understand that charter schools need to continually see value from the IPS relationship to continue to participate in the initiative.
- Finally, IPS should work with outside partners to train innovation school leaders on autonomous school management.

#### **4.11 Healthcare Savings**

##### **4.11.1 Current Costs and Trends**

The Project Team understands the important role that competitive healthcare and benefits plans play in staff recruitment and retention. At the same time, however, our goal is to ensure that each compensation-related dollar is spent in the most effective way (e.g., in the manner that drivers the highest educational outcomes for students).

Healthcare costs are a meaningful portion of the District's budget, currently running about \$35M per year.<sup>231</sup> Moreover, healthcare costs are projected to be one of the fastest growing cost segments for years to come. The District's current projections show that healthcare costs will rise by about 8% per year, which means they could double in about nine years.

##### **4.11.2 Key Research Findings**

Numerous other public and private organizations have deployed aggressive cost management strategies in order to “bend the cost curve” on healthcare and other benefits. The Project Team's observations include:

- IPS has already made meaningful strides related to these healthcare eligibility issues and we commend administrators for their work in this area.
- The District completed a full healthcare eligibility audit using an outside provider in 2012. That audit found that 13.5% of the dependents (440 people, including a number of excluded spouses) did not meet eligibility guidelines or did not provide documentation to support their ongoing eligibility. The District indicates that it now verifies eligibility for all newly enrolled dependents and conducts a partial audit during open enrollment each year (for spouses and dependents over the age of 26).<sup>232</sup>
- The District also implemented a Spousal Exclusion policy beginning in 2013. This practice defines a working spouse as ineligible for the District's healthcare coverage if the spouse has coverage available from another employer. The District indicates that it conducts ongoing spousal eligibility audits, with the most recent one occurring in April of

2018. These audits require that the employee complete an affidavit and that the employed spouse's employer certify that they are not eligible for group healthcare coverage (and are therefore eligible for the District's coverage). While the results are not yet complete for this year, the District indicates that the spousal review has identified several additional spouses who are not eligible for coverage.

- The District moved from a self-insured arrangement in 2016 to a fully insured arrangement in 2017 (with Anthem for two years) and it continues in a fully insured arrangement for 2018 (with United Healthcare or "UHC"). A premium refund arrangement was negotiated into the fully insured contract for IPS if the plan performed well relative to a medical loss ratio benchmark. In 2017, the plan realized a refund of \$1.4 million. The refund arrangement allows District participation in years with good claims experience, but it caps downside risk for IPS (i.e., in years with bad claims experience). This arrangement was continued with UHC in 2018.
- The cash reserves required to offset claims volatility can be a barrier for some employers wanting to self-fund. Organizations can implement insurance solutions to avoid excessive volatility from draining reserves. The District's move to self-funding in 2016 was based, in part, on overly aggressive cost projections for the Plan which resulted in a very difficult renewal process for 2017. The District, at the time, felt it could not continue to sustain the risk of self-funding and the alternative fully insured proposal was implemented. For 2019, the plan will have three complete years of claims experience to evaluate, plus a portion of 2018 claims. As part of the annual renewal process, the District should look at both renewing the current arrangement and self-funding the plan using actuarially determined claims cost projections.
- IPS' current health plan offerings include two plans meeting the qualified high deductible health plan ("QHDHP") definition, Navigate and Traditional. Employees enrolling in the Navigate option are currently receiving a \$500 employer contribution for Single coverage and \$1,000 for Employee Spouse, Employee Child(ren), & Family coverages. Navigate also provides the employee with the lowest cost payroll deduction. Employees in either QHDHP may make payroll contributions to the preferred Health Savings Account vendor of IPS or may elect to establish their own account with a financial institution of their choice.

#### **4.11.3 Efficiency Opportunities**

- IPS could return to healthcare self-funding. This is simply transferring risk from an insurance carrier to an employer group. Self-funding provides greater flexibility to the employer in customizing benefits and managing healthcare spending. Cost reduction strategies, created by programs such as clinics, wellness initiatives, and provider steerage through transparency tools, allow employers to realize return on investment for these programs. Over a 3 to 5-year period, however, IPS' health benefit advisory firm APEX expects a savings of 5% – 10% of total spending by having the District assume the position of the insurance company. The District's current medical plan spending is about \$35 million per year, so APEX projects that the District could generate savings of \$5-\$7 million over 3 years and \$10-\$12 million over 5 years.
- IPS should expand use of Health Savings Accounts ("HSA"). Currently 63% of enrolled employees are in a QHDHP plan with 18% of the population enrolled in the Navigate

Option and receiving the health savings contribution made by IPS. For 2019, APEX and the District should look at strategies to increase participation in the Navigate option through increased health savings contributions, reduced payroll deduction, or some combination.

- Working with its benefits consultant, IPS should seek to further rationalize the healthcare provider base. It is difficult to determine what the savings could be from further provider rationalization given the immature claims information. Nonetheless, UHC has stated that its more efficient plans can better control premium increases. In APEX's portfolio of business with UHC, premium renewal increases have been 2-3% below standard trend increases where customers have purchased the Navigate and Prime Advantage products.
- IPS should work with its benefits consultant to take full advantage of the prescription rebates available to it. Estimates indicate that as much as \$700,000 annually could be captured through such rebates.
- IPS should continue to support rigorous implementation of Payment Integrity solutions to review claims payments and to identify waste and fraud.
- Additional healthcare measures that should be implemented include:
  - Initiate a more active approach to wellness incentives to reward employees for outcomes and not just participation;
  - Provide resources and information to employees to assist them in better maintaining health and managing disease;
  - Implement a telehealth solution at no cost to employees to help reduce unnecessary emergency room and Urgent Care visits while simultaneously improving service;
  - When cost effective, deploy onsite coordinators to build personal relationships with individuals; and
  - Supported by data analytics and consistent with privacy laws, target specific disease states at a macro level within the organization.

## **4.12 Enterprise Development Director**

### **4.12.1 Current Costs and Trends**

The District continues to face serious financial challenges – and those will not completely go away irrespective of the outcome of the referendum. This review identifies numerous cost savings projects that the District can implement. To maximize savings and minimize the need for additional tax dollars, the District needs to rapidly and carefully implement any Board-approved cost savings projects.

We believe the best approach for the District to implement many of the efficiency options included herein is for the Superintendent and COO to appoint and empower a single individual to manage cost-cutting activity – the activity would be center-led, but not centralized. While this individual may be supported by District staff, outside volunteers, or even contractors, someone internally needs to “own” the task and report directly to the COO.

A reasonable question is how the roles of the CFO, CTO, CIO, HR lead, or other senior staff fit into this model and whether they should own cost-savings activity in their areas of influence. Those leaders will be important enablers for cost-savings ideas, but we recommend that someone

outside of the to-be-impacted areas be appointed to take the lead role for two reasons. First, those senior staff members, like their elected and appointed bosses, have many policy and operational issues on their plate. In addition, our experience shows that appointing a more independent voice will better inform the decision making of the Superintendent and Board as they make the tough choices about what must be changed.

#### **4.12.2 Key Research Findings**

We have studied dozens of cost savings efforts over the last 25 years in both the public and the private sectors. Over time, we have identified a set of characteristics that successful cost-cutting efforts share. They typically have the following attributes:

- Unequivocal executive sponsorship
- Clear and publicly communicated goals
- A long-term vision coupled with short-term activity
- A sustained commitment to the long-term vision
- A single point of accountability and ownership
- A focus on transactional activity, not writing reports
- A focus on easy, fast, and (eventually) big projects
- An articulation of the tradeoffs associated with making or not making a decision
- A commitment to both internal and external input
- A recognition that incentives matter and that they drive behavior

#### **4.12.3 Efficiency Opportunities**

Appoint an Enterprise Development Director to drive and implement Board-approved cost savings projects at the District. These should include any projects that are adopted from this Assessment as well as any other ideas that are identified in the future.

### **4.13 Managed Print Services**

#### **4.13.1 Current Costs and Trends**

Managed Print Services (“MPS”) is a programmatic service offered by print and copy providers that manages all aspects of an organization’s printing activity, including printers, scanners, multi-function devices (“MFD”)<sup>233</sup>, faxes and copiers. By optimizing how these devices are managed and used, organizations can save money, improve efficiency, and reduce their environmental footprint. MPS could provide several benefits for the District, including:

- The District can move to leased machines and achieve higher levels of service and reliability with fixed costs lower than what it spends today.
- With a fleet that is 100% energy efficient and that has thousands fewer devices, the District would save on energy costs.
- Costs associated with oversight, management, storage, and procurement-related functions could be reduced.
- Costs for materials shrinkage and obsolescence could be reduced.
- MPS increases access to management and print tracking data.



- All pricing could be fixed for the duration of any contract.

We previously analyzed printing and copying activity at IPS. In 2016, members of the Project Team estimated that IPS spent approximately \$735,140 on printing and copying activity. That cost number assumed that the IPS-provided costs for mono and color printer supplies were, in fact, \$182,000 per year less expensive than the industry-wide supply metrics suggested they were (based on 7.2 million pages of printing). If IPS implemented MPS in a manner consistent with best practices for large urban school districts, total savings could be nearly \$260,000 per year.

#### **4.13.2 Key Research Findings**

In 2015, Ricoh entered into a competitively tendered State of Indiana Quantity Purchase Agreement (“QPA”) that allows public entities, including school districts, to acquire products at pre-established prices without undertaking a separate procurement process. On behalf of IPS, we asked Ricoh to perform a free-of-charge print and copy assessment at selected IPS facilities.

Key research findings included:

- Ricoh conducted supervised walk-throughs (complete physical inventory and two separate device meter readings a month apart for all MFDs, printers, scanners and fax machines) at four IPS facilities (John Marshall, Anna Brochhausen Elementary School, Carl Wilde Elementary School and the JMF Education Center)
- The preliminary analysis found 519 devices available for 633 staff.
- The three schools had more MFDs/printers than staff.
- The four locations had 132 different machine models (no standardized parts or service).
- About 10% of the machines were out of service during at least one visit.
- IPS’ Fixed Asset List had more than 4,400 devices on it – meaning the District had a staff to device ration of about 1 to 1.
- In the two years prior to our analysis, the District had purchased an additional 126 devices.
- With respect to printing and copying, it appeared that IPS was primarily focused on buying equipment and supplies at the lowest possible price.
  - By all accounts, IPS appeared to be very good at achieving its goals related to managing down the per unit acquisition cost (a unit being a copy or printed page).
- By contrast, MPS focuses on managing print and copy activity on a holistic basis to drive down total costs – that is because the cheapest copy or print is the one you never make.
- MPS focuses not only on the cost per copy or printed page, but also on the following issues:
  - Reducing the total number of pages printed or copied;
  - Reducing paper and supplies purchased through accurate tracking and management;
  - Improving equipment uptime and service standards so that users know the equipment is working (which reduces the need for excess or “backup” machines);
  - Reducing the total number of printers and MFDs;
  - Reducing the number of makes and models while moving to energy efficient units; and
  - Reducing the cost per page by transitioning each printed or copied page to the most cost-effective production device.
- Best in class school districts have staff to device ratios of 16 to 1 (e.g., St. Louis). Other area public school districts have staff to device ratios ranging from 13 to 1 to 25 to 1.

- Based on the analysis, if the District would retire (and not replace) MFDs with 1,000 or fewer copies per month and black & white printers with fewer than 200 copies per month, the District could retire approximately 3,200 devices and achieve a device to staff ratio of 1 to 3.8 (which is still well above best in class for urban schools).

#### 4.13.3 Savings and Efficiency Opportunities

IPS should move to Managed Print Services at IPS over the next 12 months. Actual financial impact of this project is highly dependent upon the effectiveness of the implementation, extent of adoption by IPS personnel, and market conditions at the time. This is not a guarantee or even a reasonable estimate of the financial impact. It is simply an attempt to conservatively assess the potential impact of the project on the IPS budget using conservative estimates.

Current Yearly Cost – Estimated	
Equipment	Costs
5-year average copier purchase costs	\$218,800
In-house copier break/fix supplies and equipment	\$327,416
Two-year average printer purchase cost	\$25,556
Mono and color printer supplies	\$157,368
Outsourced printer break fix	\$6,000
<b>Total Spend</b>	<b>\$735,140</b>

While we have used the IPS-provided cost data for mono and color print supplies, industry-wide metrics from Gap Intelligence indicate that actual supplies costs for the 7.2 million pages of printing are \$340,000 per year. To the extent that the industry-wide metrics are correct, it would result add an additional \$182,000 in costs to the current IPS operation.

Baseline Managed Print Services Yearly Cost – Estimated	
Equipment	Costs
Lease costs for 272 MFDs (70 color and 202 mono)	\$405,504
Click charges for MFDs	\$198,826
Lease costs for 40 mono printers	\$7,200
Click charges for printers	\$22,320
<b>Total</b>	<b>\$633,850</b>

In addition to these estimated savings, there are other opportunities which may add another \$160,000 in savings:

- Print Tracking – Industry data suggests that implementing organizational print tracking reduces overall prints/copies by 10%-30%. This assumes a 15% reduction.
- Duplex – Savings equal paper usage reduction if 25% of future MFD copies become duplex.
- Print Migration to MFDs – Each print made on an MFD is approximately 80% cheaper than the same on a printer. Assumes 50% of the remaining images made on printers convert to MFDs.
- Energy Savings – Each machine taken out of service represents approximately a \$10/year savings in energy costs.

## 4.14 Fee-for-Service School Services/Partnerships

### 4.14.1 Current Costs and Trends

As IPS moves towards a portfolio model of operations, the opportunity to become a supplier of choice to autonomous schools within the district increases. Since the IPS student population is largely flat (due to the growth of the innovation schools to counter the loss of students in the traditional district schools), if the District is not successful at capturing these opportunities, its scale in the marketplace will decrease and incremental costs will increase. IPS possesses certain efficiencies that can be leveraged for positive financial impact.

To date, IPS has viewed the services it provides via contract to autonomous entities as a potential value-add for those entities. It has not looked at those services as either a market share it should actively pursue to drive additional revenue to the system, or as a way to prevent future increase in costs on its shrinking base.

### 4.14.2 Key Research Findings

Two of IPS' most commonly provided contracted services are transportation and food services.

#### Transportation

- IPS' issues with transportation are discussed elsewhere in this report; however, an opportunity remains to examine the area for growth as a fee-for-service function.
- Transportation is a significant challenge to overcome for non-District run schools. In some cases, distances students travel to the school make yellow bus transportation impossible. Some school models are more dependent on bus transportation. Some schools that could use IPS' resources choose other options due to excessive costs. Purdue Polytechnic was quoted a transportation fee by IPS equal to ½ of its operating budget. They ultimately decided to use IndyGo at a cost far below the IPS price.<sup>234</sup> IPS' decision to serve contract schools in ways that mimics its own service levels needlessly drives up the costs for end-users and negates any value the scale of the District can provide.

#### Food Service

- IPS can be proud of its food service operation. It is a model operation and one of just a few in the state that is structured to achieve a high degree of efficiency. The district receives the maximum reimbursement rate from the United States Department of Agriculture (USDA) to administer various school food programs (table follows this report). Additionally, the district is enrolled in the Community Eligibility Provision program, which allows all IPS students, regardless of income, to receive free food. The District does not charge any student for any food.
- Last year, IPS served 78,384 meals to students during fall, winter, spring, and summer breaks in as many as 35 locations. Its central facility allows for the repackaging and preparation of food that is then sent via truck to schools across the district. In SY 2016-2017, IPS:
  - Served 14,500 breakfasts and 23,200 lunches every day to students at 64 locations;
  - Operated the Fresh Fruit and Vegetable Program in 62 locations; and

- Offered after school snack service in 34 locations.
- Currently the operation also provides food for twelve non-affiliated or innovation schools via contract.<sup>235</sup> For each school, it can provide a fully USDA-compliant food service that allows the entity to avoid certain required elements of setting up a freestanding operation. Schools are charged based on what they order, with a slight markup on each item for IPS. Currently IPS does no marketing of this service. Revenues of the service are invested back into the school food program. Unfortunately, IPS does not currently know its overhead costs to service these contracts, therefore it is unknown if the fee charged is adequate. However, the efficient model that has been developed should allow other schools to leverage the IPS operation, which in turn would let the District demonstrate sensitivity to taxpayers regarding funding duplicate efforts while offering the potential for an increased revenue stream.

#### Other Areas<sup>236</sup>

- One other area of possible opportunity involves contracted school health services and other non-Indiana qualified purchase agreement (“QPA”) goods or services. For example, the District has a contract for nearly \$1.8 million to provide, “nursing/physical and occupational, hearing and language services” to students in IPS schools.<sup>237</sup> The District could seek to extend this contractual relationship to other autonomous schools and benefit from the additional service volume.
- Some individuals have suggested that IPS open its health insurance process to employees of innovation schools so they might be able to draw upon expected economies of scale; as an employer of 4,000 people in a defined geography, they should be well-suited to negotiate more favorable terms than a school with a couple of dozen employees. However, during this process it was identified multiple times that the demographics of the IPS employee population drive up the cost of health insurance and erode and savings that might be found due to its scale; small charter or innovation schools can often secure lower cost health plan coverage than IPS.<sup>238</sup>
- Finally, the issue of coordinating library services between IPS and the Indianapolis-Marion County Public Library (“IndyPL”) was explored. The IndyPL has accomplished some interesting partnerships with schools in Indianapolis, including issuing library cards to 35,000 youths, including all the students in Metropolitan School Districts of Lawrence, Warren, Franklin, and Decatur Townships as well as Beech Grove, with other townships underway. This free service allows not only the students to access materials, but also allows teachers to access otherwise restricted content for use in the classroom. This service is free for both the students and districts.
- The IndyPL also operates a “shared service” model with 47 schools in Indianapolis, cross-listing collections between intuitions and the IndyPL and allowing for the access of materials in most cases regardless of which school a student attends. This greatly expands the reach a school library might otherwise have. This service has a fee structure applied to it to cover the IndyPL’s cost to service the schools.
- IPS currently has 28 Media Assistants and 29 Media Specialists on staff spread across District facilities.<sup>239</sup> As an element of the District’s budget, it spends \$108 on library and media materials/services.<sup>240</sup> The IndyPL noted that it believes is can improve the quality of media services and experiences for students in IPS. It is not likely to be a cost saving effort for the district, but might have the potential to be cost neutral depending on its

current budget allocation for media services and materials. Even if just cost neutral, it behooves IPS to be able to demonstrate as many interconnections to other publicly supported entities as possible, to demonstrate to taxpayers that it continually seeks to leverage resources when possible and avoid duplication in the community.

#### **4.14.3 Efficiency Opportunities**

##### Transportation

- IPS could engage with its current transportation provider to develop more affordable options non-LEA innovations schools could access.

##### Food Service

- Determine program overhead costs for servicing contracts and price program accordingly.
- Increase the marketing of efficient and affordable school food services to both non-LEA innovation schools as well as other independent LEAs in Indianapolis.
- Scale up the operation to meet growing demand for services, as needed.

##### Other Areas

- Include all currently contracted services as items than can be made available to autonomous schools and develop packages of services within those contracts that might more appropriately fit schools.
- Work with IndyPL to determine cost of shared services for all IPS schools.

#### **4.15 Food Service Fund Balance**

##### **4.15.1 Current Costs and Trends**

IPS currently has a fund balance in its food service program account of approximately \$23 million. Not all school districts have surpluses in the food service program account, and it is possible that IPS has largest food service surplus in the nation. This surplus exists within a highly restricted account and is currently of limited value to IPS.

However, the surplus exists in large part to IPS' past failure to capture allowable or waivable program costs of the food program. If IPS were permitted to recover these costs on a retroactive basis, it could receive a one-time infusion of \$17 million for other educational uses while maintaining an appropriate reserve.

The Food Service fund balance was built over many years. It is the result of three factors:

- IPS instituted a highly cost-effective food program in the 1990's.
- IPS did not seek a waiver to capture costs from the program when the central kitchen was developed.
- IPS has not historically captured all allowable costs associated with the operation of food service program.

When the central kitchen concept was implemented, the program became very cost effective, but its cost effectiveness was overstated because IPS had a narrow view of what costs could be

recouped. As a result, the program generated a “surplus” on each meal that it provided. As IPS sought to serve more youth and provided more meals, its fund balance grew faster. It is our understanding that the food service fund balance at one time reached approximately \$29 million.

IPS has recognized its past process did not result in capturing all the costs eligible for reimbursement and is now capturing a much greater share of its food service operating costs. Additionally, it has used a portion of the surplus to meet the capital needs of the program, including retrofitting a school bus into a food truck and buying new tables for school cafeterias. It has also invested more in the food (i.e. quality and quantity) that it provides students. While the program remains efficient, it is not generating new surplus with each meal it produces.<sup>241</sup> But, under current federal restrictions and spending patterns, IPS will maintain its oversized surplus for a long time.

#### **4.15.2 Key Research Findings**

- For decades, the federal government has supported child nutrition via free and reduced food in American schools.<sup>242</sup> The program, which was enacted to utilize surplus food commodities and to support agriculture, has become a multi-tiered anti-hunger effort to provide good, nutritious food to school children. Programs include school breakfast, lunch and snack as well as providing additional fruits and vegetables and meals during school breaks. It is a legacy of its origins that it remains administered by the US Department of Agriculture (“USDA”).
- The National School Lunch Program provides a subsidy to schools on a formula basis. School districts receive modest federal payments to fund school lunch and other federally supported food programs. Federal school lunch funding must be segregated from other school funds and there are strict limitations on the use of these funds.
- School districts are permitted to utilize school lunch funds as reimbursement for indirect and District costs. In some districts the reimbursement rates do not cover the cost of the program and schools must supplement it with non-federal funds (in the form of subsidies from the district or fees charged to “paid” meal students). In 2018, reimbursement rates are:
  - Severe Need Breakfast = \$2.09
  - Free Breakfast = \$1.75
  - Paid Breakfast = \$.30
  - Free Lunch = \$3.31
  - Paid Lunch = \$.39<sup>243</sup>
- Indianapolis however can largely meet its food program costs within the federal subsidy payment. This result is possible because Indianapolis has developed a highly efficient school lunch program built upon the concept of a central kitchen. The facility cost approximately \$10 million to construct. IPS used local funds to build it.<sup>244</sup> At the time, IPS could have requested a waiver to capture all or part of the construction cost through cost reimbursement. However, because IPS did not seek reimbursement for all allowable costs once operational, it began to generate a surplus in its food service account. After many years of under-reimbursement, the surplus reached \$29 million.
- While other school districts have generated surpluses in school lunch programs (small surpluses are allowed under the program), large surpluses do not generally accumulate. When a school district begins to generate a sizable food service surplus, it is directed to

reduce the cost of meals sold to non-subsidized students. This remedy is not available in Indianapolis because IPS is eligible under the Community Eligibility Provision (“CEP”). The CEP designation allows all IPS students, regardless of income, at schools that are included in the IPS LEA, to receive free food at school.<sup>245</sup>

- Although IPS’ food costs have increased in recent years, the spending rate is far too low to spend down the surplus in a meaningful manner. A snapshot review suggests that current deficit spending levels would not eliminate the accumulated surplus for twenty years.
- IPS does have the potential to recapture past reimbursable costs from the surplus through a regulatory waiver. The school lunch authorizing act provides authority to the U.S. Secretary of Agriculture to waive certain regulatory requirements when requested by local authorities.<sup>246</sup> There are limitations on the scope of the Secretary’s waiver authority, but the IPS waiver request would be outside of those restrictions.
- IPS could seek to recover costs that could have been reimbursed from its federal funding on a retroactive basis from the food service surplus. While the request may not be successful, the Secretary appears to have the authority to approve this request and the federal administration has generally expressed interest in easing, rather than maintaining, regulatory burdens.

#### **4.15.3 Efficiency Opportunities**

IPS should seek two waivers from the Secretary of Agriculture, including:

- A waiver to allow the surplus to be utilized for reimbursement of the past construction costs of the central food processing facility. While construction is not typically allowed with program funds, the Department has the authority to grant waivers and has done so in the past. This waiver would be to:
  - Allow for a retroactive request; and
  - Allow for payment of construction costs.
- A waiver to allow the surplus to be utilized for reimbursement of past uncaptured food program operating costs. This waiver would be a request to allow for a retroactive request of allowable costs.

## **5 Selected Efficiency Options – Detailed Model**

Drawing from the efficiency opportunities presented in the previous section, IPS, the Project Team, and the Chamber held many discussions concerning what could be reasonably adopted and when. The following eight year model represents the final outcome of such discussions, a model supported the final agreement for the \$220 million operating referendum. Each efficiency option modeled is described in the table included in Section 1 of this Assessment.



## IPS/Indy Chamber Detailed 8-Year Model

*\$220M Operating Referendum (dollars in Millions)*

Fiscal Year	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	Cumulative Total
<b>Baseline Education and Operations Fund Projections</b>									
Combined Revenues	\$316.0	\$321.9	\$325.0	\$330.7	\$336.4	\$341.6	\$346.9	\$352.4	\$2,670.8
Combined Expenditures	352.9	359.5	365.1	370.7	376.4	382.3	388.2	394.3	2,989.5
<b>Baseline Net Annual Surplus (Deficit)</b>	<b>(36.9)</b>	<b>(37.6)</b>	<b>(40.1)</b>	<b>(40.0)</b>	<b>(40.1)</b>	<b>(40.7)</b>	<b>(41.3)</b>	<b>(41.9)</b>	<b>(318.7)</b>
<b>EFFICIENCY OPTIONS</b>									
<b>General Efficiency Options</b>									
Non-School Administrators	0.2	0.5	0.7	0.7	0.7	0.7	0.7	0.7	4.9
Contract Nursing	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.4
Reduce Teacher Attrition Rates	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.0
VOIP Transition	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.4
Move to Self-Insurance	-	2.4	2.4	2.4	2.4	2.4	2.4	2.4	16.8
Expand HSA Usage	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	8.4
Move to Managed Print	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.1
Food Services Waiver	17.0								17.0
<b>Total General Efficiency Options</b>	<b>19.3</b>	<b>4.9</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>5.1</b>	<b>55.0</b>
<b>Additional Modeled Options</b>									
Prescription Drug Savings	-	0.7	0.7	0.7	0.7	0.7	0.7	0.7	4.9
Outsource Desktop Support	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Net Proceeds from Admin Bldg								3.0	3.0
<b>Total Additional Modeled Options</b>	<b>-</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>3.8</b>	<b>8.6</b>
<b>Major Efficiency Initiatives</b>									
Transportation Savings	-	6.2	16.7	17.0	17.3	17.7	18.0	18.4	111.2
Central Staff Savings	2.3	2.3	2.3	2.4	2.4	2.4	2.5	2.6	19.2
Custodial Savings	2.1	2.2	2.2	2.3	2.3	2.4	2.4	2.5	18.5
Excess Facility Capacity Savings	-	-	-	6.7	10.8	13.8	16.9	22.9	71.2
Broad Ripple High School Revenue	-	-	4.5	-	-	-	-	-	4.5
Teacher Position Savings			6.5	6.5	6.6	6.7	6.8	6.9	40.0
<b>Total Major Efficiency Initiatives</b>	<b>4.4</b>	<b>10.7</b>	<b>32.2</b>	<b>34.9</b>	<b>39.5</b>	<b>43.0</b>	<b>46.7</b>	<b>53.2</b>	<b>264.6</b>
<b>TOTAL EFFICIENCY OPTIONS</b>	<b>23.7</b>	<b>16.4</b>	<b>38.1</b>	<b>40.8</b>	<b>45.5</b>	<b>48.9</b>	<b>52.6</b>	<b>62.2</b>	<b>328.2</b>
<b>PERSONNEL INVESTMENT</b>									
Teacher and Principal Salary Increases	(15.9)	(18.0)	(26.4)	(28.8)	(31.3)	(33.8)	(36.4)	(39.0)	(229.5)
<b>Adjusted Net Annual Surplus (Deficit)</b>	<b>(29.2)</b>	<b>(39.1)</b>	<b>(28.3)</b>	<b>(27.9)</b>	<b>(25.9)</b>	<b>(25.6)</b>	<b>(25.1)</b>	<b>(18.8)</b>	<b>(220.0)</b>
<b>Plus: Assumed Operating Referendum</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>220.0</b>
<b>NET BALANCE AFTER REFERENDUM</b>	<b>(\$1.7)</b>	<b>(\$11.6)</b>	<b>(\$0.8)</b>	<b>(\$0.4)</b>	<b>\$1.6</b>	<b>\$1.9</b>	<b>\$2.4</b>	<b>\$8.7</b>	<b>-</b>
<i>Cumulative Fund Balance</i>	<i>(1.7)</i>	<i>(13.3)</i>	<i>(14.1)</i>	<i>(14.6)</i>	<i>(13.0)</i>	<i>(11.1)</i>	<i>(8.7)</i>	<b>-</b>	

## 6 Appendix A – Interviews Conducted

#	Date	Individual	Position	Organization
1	3/27/2018	David Rosenberg	Operations Officer (former)	Indianapolis Public Schools
2	3/27/2018	Mary Ann Sullivan	Commissioner	Indianapolis Public Schools
3	3/27/2018	Zach Mulholland	Board Administrator	Indianapolis Public Schools
4	3/27/2018	Scott Martin	Deputy Director for Operations	Indianapolis Public Schools
5	3/27/2018	Weston Young	Chief Financial Manager	Indianapolis Public Schools
6	3/28/2018	Michael Huber	President and CEO	Indianapolis Chamber of Commerce
7	3/28/2018	Ahmed Young	Chief of Staff/General Counsel	Indianapolis Public Schools
8	3/28/2018	Michael O'Connor	President/Commissioner	Indianapolis Public Schools
9	3/28/2018	David Dresslar	Educational Consultant	Self-employed
10	3/28/2018	Elizabeth Cierzniak	Partner	Faegre Baker Daniels
11	4/4/2018	Jackie Nytes	CEO	The Indianapolis Public Library
12	4/4/2018	Kelly Bentley	Commissioner	Indianapolis Public Schools
13	4/4/2018	Dorene Rodriguez Hoops	Commissioner	Indianapolis Public Schools
14	4/4/2018	Elizabeth Gore	Commissioner	Indianapolis Public Schools
15	4/4/2018	Brock Bowsher	Manager	H.J. Umbaugh & Associates, CPAs, LLP
16	4/4/2018	Todd Samuelson	Executive Partner	H.J. Umbaugh & Associates, CPAs, LLP
17	4/4/2018	Lewis Ferebee	Superintendent	Indianapolis Public Schools
18	4/4/2018	Joe Gramelspacher	Director of Special Projects	Indianapolis Public Schools
19	4/5/2018	Mark Fisher	Chief Policy Officer	Indianapolis Chamber of Commerce
20	4/5/2018	Mindy Schlegel	Human Resource Officer	Indianapolis Public Schools
21	4/5/2018	Scott Bess	Head of School	Purdue Polytechnic High School
22	4/5/2018	David Shane	Retired CEO	LDI, Ltd
23	4/5/2018	Manny Mendez	Transportation Director	Indianapolis Public Schools
24	4/5/2018	Venita Moore	Commissioner	Indianapolis Public Schools
25	4/6/2018	Diane Arnold	Commissioner	Indianapolis Public Schools
25	4/6/2018	Stan Jackson	VP of Population Health	Apex Benefits
26	4/6/2018	Michael Terry	President and CEO	IndyGo
27	4/6/2018	Bryan Luellen	Director of Marketing and Customer Information	IndyGo

28	4/6/2018	David Harris	Founder and CEO	The Mind Trust
29	4/9/2018, 5/21/2018	Brent Freeman	Special Education Officer	Indianapolis Public Schools
30	4/17/2018	Jason Kloth	CEO	Ascend Indiana
31	4/19/2018	Aleesia Johnson	Innovation Officer	Indianapolis Public Schools
32	4/19/2018	David Rosenberg	Partner	ERS
33	4/19/2018	Laura Larimer	IT Officer	Indianapolis Public Schools
34	4/19/2018	Chris Moore	Data Scientist	Minneapolis Public Schools
35	4/19/2018	Justin Ohlemiller	Executive Director	Stand for Children
36	4/20/2018	Valerie Hunt	Director of Financial Operations	Indianapolis Public Schools
37	4/20/2018	Scott Badger	Business Development Manager	Esource Resources
38	4/24/2018	Patrick McAlister	Director of the Office of Education Innovation	City of Indianapolis
39	4/24/2018	Colleen Fanning	Executive Director	Broad Ripple Village Association
40	4/24/2018	Kent Springer	Board of Directors	Broad Ripple Village Association
41	4/25/2018	Megan Lane	Data Fellow	Chicago Public Schools
42	4/26/2018	Dena Bond	Food Service Director	Indianapolis Public Schools
43	4/26/2018	Brandon Brown	Incoming CEO	Mind Trust
44	5/1/2018	Al Hubbard	Chairman/Partner	E & A Companies
45	5/2/2018	Paul Riley	Director, Facilities Management	Indianapolis Public Schools
46	5/7/2019	Robert Enlow	President and CEO	EdChoice
47	5/8/2018	Le Boler	Chief Strategist	Indianapolis Public Schools
48	5/17/18	Brandon Anderson	Band Teacher	Indianapolis Public Schools
49	5/17/18	Pennie Gregory	Special Education Specialist	Indianapolis Public Schools
50	5/17/18	La'Meca Perkins-Knight	Special Education Specialist	Indianapolis Public Schools
51	5/17/18	Cassie Owens	Instructional Lead	Indianapolis Public Schools
52	5/17/18	Carley Taylor	Math Teacher	Indianapolis Public Schools
53	5/17/18	Chris Schnepf	Elementary Teacher	Indianapolis Public Schools
54	5/17/18	Dawn Wilkey	Elementary Teacher	Indianapolis Public Schools
55	5/18/2018	Jessica Feeser	ESL Director	Indianapolis Public Schools

## 7 Appendix B – Summary of All Savings Opportunities Identified with Cross Reference to the Selected Efficiency Options Model

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
1	Transportation	Eliminate IPS yellow bus service for IPS high school students and provide those students with IndyGo passes.	Transportation Savings	All transportation options: \$111,200,000	SY 2019-2020
2	Transportation	Develop a new RFP to contract for All IPS transportation operations.	Transportation Savings	All transportation options: \$111,200,000	SY 2019-2020
3	Transportation	Make further incremental changes to the existing transportation system, including: <ul style="list-style-type: none"> <li>IPS could increase the walk zone distance for students by approximately 50% and reduce total transportation costs.</li> <li>Complete a route optimization effort involving calling families to confirm use of IPS transportation.</li> </ul>	Transportation Savings	All transportation options: \$111,200,000	SY 2019-2020
4	Central Office	IPS must develop an explicit plan to reduce further central office staff consistent with the projected decline in the overall IPS student population and growth of the innovation schools (LEA and non-LEA). Over the next eight years, a 30% reduction may be achievable based on an enhanced strategy to devolve more resources to schools and automate processes to the extent possible.	Central Staff Savings	\$19,200,000	SY 2018-2019
5	Central Office	In order to appropriately capture business efficiencies, we recommend that IPS consider the following changes that are consistent with best practices in high performing public- and	None	Not estimated	SY 2018-2019

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
		private-sector organizations: <ul style="list-style-type: none"> <li>• Create a Chief Operating Officer position responsible for all non-academic functions;</li> <li>• Create the Enterprise Development Director position, reporting to the COO;</li> <li>• Make the Human Resource Officer a direct report to the COO; and</li> <li>• Make the IT Manager a direct report to the COO.</li> </ul>			
6	Central Office	With Kronos implemented, the District should consider moving to an outsourced vendor for all payroll functions.	None	Not estimated	SY 2018-2019
7	Central Office	There are functions within the Central Office that warrant further scrutiny based on current allocation of students across Autonomous/Innovation LEA/Innovation Non-LEA schools. For example, the "Public Relations" group has 24 employees.	None	Not estimated	SY 2019-2020
8	Central Office	If IPS moves to a fully outsourced transportation model, as discussed in the Transportation project section, it should consider shifting the response to the segment of calls associated with transportation to the transportation provider.	None	Not estimated	SY 2019-2020
9	Central Office	The Facility Maintenance Division's ("FMD") Telecommunications group should be integrated into the IT organization.	None	Not estimated	SY 2019-2020
10	Central Office	Organizations typically see telephone cost savings of 30% to 75% when moving to a VOIP solution. IPS should do so.	VOIP Transition	\$2,400,000	SY 2018-2019
11	Central Office	IPS should seek to reduce the number of	None	Not estimated	SY 2019-2020

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
12	Central Office	software packages supported by 25% over the next five (5) years. Better management of software licenses could likely reduce total software license costs by 10% within two (2) years.	None	Not estimated	SY 2019-2020
13	Central Office	Better asset management requires not only the implementation of the new software (Destiny Resource Manager from Follett has already been selected by the District for this function), but also improved internal controls.	None	Not estimated	SY 2019-2020
14	Central Office	Outsourcing desktop support could reduce costs.	Outsource Desktop Support	\$700,000	SY 2019-2020
15	Central Office	IPS should continue to move towards procuring software as a service (SaaS), where possible.	None	Not estimated	SY 2019-2020
16	Central Office	More could be done to ensure that the District is fully recovering its costs for IT support from innovation schools.	None	Not estimated	SY 2019-2020
17	Central Office	While Security staffing is down approximately 10% in SY 2017-2018, factors such as the reduction in the number of IPS high schools may enable further rationalizations in Security over the long-term.	None	Not estimated	SY 2019-2020
18	Non-Teacher, Non-Certified Administrator School-Based Staffing	IPS should consider strategies for substantially reducing the number of its custodians to the peer level of 7/1000 students from its current level of approximately 9.5/1000 students. This would be a reduction in custodial positions of about 92.	Custodial Savings	\$18,500,000	SY 2018-2019
19	Non-Teacher, Non-Certified Administrator School-Based Staffing	IPS may consider reducing the total number of Classroom Assistants by about 3-4% annually through attrition, the rate at which the IPS	None	Not estimated	SY 2018-2019

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
20	Non-Teacher, Non-Certified Administrator School-Based Staffing	student population has been declining over past years. IPS could eliminate its current nursing positions for nine (9) nurses for SY2018-2019 and convert immediately to entirely contract nursing services.	Contract Nursing	\$1,400,000	SY 2018-2019
21	Principals and Other Certified Administrators	IPS could reduce through attrition the number of non-school based administrators over the next three (3) years by 20%. This would equate to about eight positions.	Non-School Administrators	\$4,900,000	SY 2018-2019
22	Principals and Other Certified Administrators	IPS could create an incentive (or remove the disincentive) for principals to be more cost-efficient/innovative.	None	Not estimated	SY 2019-2020
23	Teacher Staffing and Compensation	"Civilianize" positions where a teaching credential is not mandated or absolutely needed – in those instances where a teaching credential is not mandated for a position, but the presence of the credential drives up the cost to fill the position, convert from a higher-cost teacher to a lower-cost non-teacher on a position-by-position basis.	None	Not estimated	SY 2019-2020
24	Teacher Staffing and Compensation	Selectively allow teachers to share in operational cost savings they can personally control and deliver – as contrasted with increasing class size, the teachers we spoke with were less opposed (but did not fully endorse) sharing in operational savings that they generate.	None	Not estimated	SY 2019-2020
25	Teacher Staffing and Compensation	Given the very high (and costly) teacher turnover issues, the District should develop additional data analytics capabilities in the Human Resources Department – including a	Reduce Teacher Attrition Rates	\$2,000,000	SY 2018-2019

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
		data officer – to improve staff recruitment and retention.			
26	Teacher Staffing and Compensation	Explore options to the existing seniority-based RIF policy.	None	Not estimated	SY 2018-2019
27	Teacher Staffing and Compensation	As an extension of its overall innovation efforts (which seeks to improve overall student achievement), the District should identify opportunities to expand its pay-for-performance culture in other areas, including teacher compensation.	None	Not estimated	SY 2018-2019
28	Teacher Staffing and Compensation	Use continued natural attrition and small, incremental increases in student teacher ratios to drive up teacher pay.	Teacher Position Savings	\$40,000,000	SY 2020-2021
29	Special Programs – SPED and ESL	We encourage continuation of the District's efforts to avoid over-identification.	None	Not estimated	SY 2018-2019
30	Special Programs – SPED and ESL	IPS should communicate to state legislators the impact that the change in WIDA standards has had so that the state DOE can understand the cost of continued participation in the WIDA consortium.	None	Not estimated	SY 2018-2019
31	Special Programs – SPED and ESL	There should be opportunities to reduce the number of ESL-program employees such as bi-lingual assistants by approximately 10% over the next five (5) years, consistent with the anticipated decline in student numbers.	None	Not estimated	SY 2018-2019
32	School Structure	Implementing an ES/MS strategy over three (3) years and capturing the associated savings could be a means by which IPS reduces per pupil costs.	None	Not estimated	SY 2018-2019
33	Facilities	As part of IPS' effort to increase facility utilization, it can leverage the process developed for the recent High School analysis	Excess Facility Capacity Savings	\$71,200,000 <sup>247</sup>	SY 2021-2022



#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
		and build a community-centric process to identify schools that can be closed to increase the utilization at remaining facilities and decrease overhead costs. IPS' goal should be to reduce excess seats and achieve a 90% utilization rate by SY 2021-2022.			
34	Facilities	IPS has released a Request for Information ("RFI") for the IPS central office facility to determine if a development entity believes that the site has economic potential. Following the RFI process, IPS should determine how it can realize sale proceeds and reduced operating costs if it vacates the facility for a new location.	Net Proceeds from Admin Building	\$3,000,000	SY 2025-2026
35	Facilities	IPS should place maintenance dollars in the school leader's budget and allow him/her the authority to buy needed services from FMD to avoid having work performed simply due to staff availability.	None	Not estimated	SY 2019-2020
36	Facilities	Continue to right-size FMD as facilities are closed throughout the District so maintenance costs are reduced.	None	Not estimated	SY 2021-2022
37	Facilities	Issue a Request for Proposal ("RFP") for a comprehensive energy savings contract across all facilities (include strategies for electric, water, wastewater, gas, and solar to maximize cost savings).	None	Not estimated	SY 2019-2020
38	Facilities	Develop a strategic road map for a new entity to convert ownership of remaining facilities from the IPS Multi-School Building Corp.	None	Not estimated	SY 2020-2021
39	Facilities	Embark upon a redistricting process that would include the mapping of the current and future population centers of the District and	None	Not estimated	SY 2018-2019

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
40	Facilities	determine if more or fewer seats are required in all areas. Build a framework whereby non-IPS schools would be able to submit bids for facilities to operate educational program in former IPS schools.	None	Not estimated	SY 2019-2020
41	Broad Ripple High School	A long-term lease or other arrangement including innovation agreement(s) with an education entity or entities appears to be the course that will net IPS the highest value in the shortest timeframe.	Broad Ripple High School Revenue	\$4,500,000	SY 2020-2021
42	Innovation Schools	IPS should seek to achieve greater consistency in innovation agreements between schools and the District as much as possible. It should develop a process whereby innovation school partners can understand IPS' goals and expectations regarding equitable funding.	None	Not estimated	SY 2018-2019
43	Innovation Schools	IPS should include building utilization requirements when an IPS facility is used by an innovation school.	None	Not estimated	SY 2019-2020
44	Innovation Schools	IPS should develop "skinny" lines of services that are offered to innovation schools that are affordable. It should treat innovation schools both like partners and customers and understand that charter schools need to continually see value from the IPS relationship to continue to participate in the initiative.	None	Not estimated	SY 2019-2020
45	Innovation Schools	Finally, IPS should work with outside partners to train innovation school leaders on autonomous school management.	None	Not estimated	SY 2019-2020
46	Healthcare Savings	IPS could return to healthcare self-funding.	Move to Self-	\$16,800,000	SY 2019-2020

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
47	Healthcare Savings	IPS should expand use of Health Savings Accounts ("HSA").	Insurance Expand HSA Usage	\$8,400,000	SY 2019-2020
48	Healthcare Savings	Working with its benefits consultant, IPS should seek to further rationalize the healthcare provider base.	None	Not estimated	SY 2018-2019
49	Healthcare Savings	IPS should work with its benefits consultant to take full advantage of the prescription rebates available to it.	Prescription Drug Savings	\$4,900,000	SY 2019-2020
50	Healthcare Savings	IPS should continue to support rigorous implementation of Payment Integrity solutions to review claims payments and to identify waste and fraud.	None	Not estimated	SY 2018-2019
51	Healthcare Savings	Initiate a more active approach to wellness incentives to reward employees for outcomes and not just participation.	None	Not estimated	SY 2018-2019
52	Healthcare Savings	Provide resources and information to employees to assist them in better maintaining health and managing disease.	None	Not estimated	SY 2018-2019
53	Healthcare Savings	Implement a telehealth solution at no cost to employees to help reduce unnecessary emergency room and Urgent Care visits while simultaneously improving service.	None	Not estimated	SY 2018-2019
54	Healthcare Savings	When cost effective, deploy onsite coordinators to build personal relationships with individuals.	None	Not estimated	SY 2018-2019
55	Healthcare Savings	Supported by data analytics and consistent with privacy laws, target specific disease states at a macro level within the organization.	None	Not estimated	SY 2018-2019
56	Enterprise Development Director	Appoint an Enterprise Development Director to drive and implement Board-approved cost savings projects at the District.	None	Not estimated	SY 2018-2019

#	IPS Functional Area	Efficiency Idea	Reference in Efficiency Options Savings Model (Section 5)	Estimated 8-Year Impact	Suggested Start Year
57	Managed Print Services	IPS should move to Managed Print Services at IPS over the next 12 months.	Move to Managed Print	\$2,100,000	SY 2018-2019
58	Fee-for-Service School Services/Partnerships	IPS could engage with its current transportation provider to develop more affordable options non-LEA innovations schools could access	None	Not estimated	SY 2019-2020
59	Fee-for-Service School Services/Partnerships	Determine program overhead costs for servicing contracts and price program accordingly.	None	Not estimated	SY 2018-2019
60	Fee-for-Service School Services/Partnerships	Increase the marketing of efficient and affordable school food services to both non-LEA innovation schools as well as other independent LEAs in Indianapolis.	None	Not estimated	SY 2018-2019
61	Fee-for-Service School Services/Partnerships	Scale up the operation to meet growing demand for services, as needed.	None	Not estimated	SY 2018-2019
62	Fee-for-Service School Services/Partnerships	Include all currently contracted services as items than can be made available to autonomous schools and develop packages of services within those contracts that might more appropriately fit schools.	None	Not estimated	SY 2018-2019
63	Fee-for-Service School Services/Partnerships	Work with IndyPL to determine cost of shared services for all IPS schools.	None	Not estimated	SY 2019-2020
64	Food Service Fund Balance	Seek two waivers from USDA reimbursement of the past construction costs of the central food processing facility and for reimbursement of past uncaptured food program operating costs.	Food Service Waivers	\$17,000,000	SY 2018-2019

## **8 Appendix C – Financial Model Option Assumptions**

### **8.1 Overview**

A vital part of assisting IPS in realizing savings from the many ideas developed and recommended by the Project Team was developing a methodology for accurately valuing the savings options so that some understanding of the impact on the District's bottom line could be gained. The PALLC team obtained a dataset from the Indiana Department of Education comprising actual expenditures for the past ten years for IPS and for every other school system in the State. The dataset is known as the "Form 9" data, which forms the pre-audit basis for all public schools, is the only reasonably comparable set of school expenditure data in the State of Indiana.

The Policy Analytics team then worked with IPS Chief Financial Manager Weston Young to understand what adjustments needed to be made to ensure the accuracy of the IPS actual expenditures within the Form 9 dataset, and to make IPS' actual expenditure picture the basis for valid comparisons with other large Indiana schools. With those adjustments made, the Policy Analytics team used the actual expenditure data to build a "proforma model" of IPS fiscal structure that would allow the team to calculate the savings or in some cases the added cost of changes to the school policies or the adoption of new methods or ideas such as those explained in Section 4. Because this exercise was undertaken within a context of a possible referendum and with an understanding that few significant changes to a large organization can be implemented overnight, the timeline over which the modeled changes are valued is eight years.

HEA 1009 – 2017 is effective in 2019. It requires the creation of the Education Fund and the Operations Fund. The Education Fund replaces the General Fund and will capture expenditures for categories 1 and 2, curricular instruction and instruction support, respectively. The Operations Fund replaces the Capital Projects Fund, the Transportation Operating Fund and the Bus Replacement Fund. It will also capture expenditures for category 3 (non-instructional support) and category 4 (operating overhead).

PALLC's Pro Forma expenditure model was designed to include the Education Fund and the Operations Fund. HEA 1009 – 2017 does not impact accounting for the Debt Service Fund, the Pension Debt Service Fund or the Rainy Day Fund.

### **8.2 Revenues**

In Indiana, dominant revenue sources are State tuition support funding for the Education Fund, and local property taxes for the school Operation Fund. The baseline assumptions for these two revenues sources are shown in the table below.

- **School Tuition Support:** School tuition support estimates for 2018 and 2019 are based on the School's projections. Tuition support payments are projected to increase by 1% annually after FY 2019.

- Property Tax Revenues: Property tax revenues for the District's Operations fund were estimated, net of circuit breaker losses, by Policy Analytics' proprietary Local Government Revenue model. Due to increasing circuit breaker losses, property tax revenues are expected to remain constant between FY 2018 and FY 2019, before increasing by 3.4% to 4.8% annually through 2026.

## IPS Baseline Assumptions for Major Revenue Streams

Fiscal Year	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.
<b>State Funding (Education Fund)</b>									
State Tuition Support	231.9	234.6	237.0	239.4	241.8	244.2	246.6	249.1	251.6
Pct. Ch		1.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Property Tax Revenue (Operations Fund)</b>									
Certified Levy	79.0	82.0	84.8	88.3	94.3	97.9	101.6	105.3	109.1
Less: Circuit Breaker Credit	(13.4)	(15.9)	(15.7)	(16.2)	(18.9)	(19.3)	(20.3)	(21.2)	(22.2)
<b>Net Levy</b>	<b>65.6</b>	<b>66.0</b>	<b>69.2</b>	<b>72.1</b>	<b>75.4</b>	<b>78.5</b>	<b>81.3</b>	<b>84.1</b>	<b>87.0</b>
Pct. Ch		0.6%	4.8%	4.2%	4.6%	4.2%	3.5%	3.5%	3.4%

### 8.3 Expenses

The table below details the baseline expenditure assumptions used in the pro-forma modeling. These values were derived from the operational assumptions IPS incorporated into its planning process for its referendum decision.

Category	Assumption
Certified Salaries	1% annual increase
Non-Certified Salaries	1% annual increase
Healthcare Benefits	8% annual increase
Educational Supplies and Contracts	1.5% annual decrease
Transportation Expenses (excluding payroll)	2% annual increase
Capital Projects	2% annual increase

## 9 End Notes

Note: Every effort has been made to correctly identify source materials for the report. In the case of individual interviews, some information was documented at that time, while other pieces of information came via subsequent discussion or by email with those same individual(s). In those cases, the first interview date might be included in this summary for the purpose of clarity.

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<sup>1</sup> Indiana Department of Education, comp., School Financial Reports, Form 9 Records. Includes IPS-suggested accounting adjustments.

<sup>2</sup> Ibid.

<sup>3</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.

<sup>4</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation. This calculation excludes IPS non-LEA innovation schools.

<sup>5</sup> IPS, *Superintendent's SY 2018-2019 Budget Proposal*, March 2018, Presentation.

<sup>6</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation.

<sup>7</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation.

<sup>8</sup> Urban Institute Student Transportation Working Group, Student Transportation and Educational Access, report, 2017, accessed July 27, 2018,

[https://www.urban.org/sites/default/files/publication/88481/student\\_transportation\\_educational\\_access\\_0.pdf](https://www.urban.org/sites/default/files/publication/88481/student_transportation_educational_access_0.pdf).

<sup>9</sup> Weston Young, *IPS 2017 Fall ADM PK-13 Facilities Utilization (for Publication)*, February 7, 2018, ADM Projection.

<sup>10</sup> IPS, *Reinventing IPS High Schools: Facility Recommendations to Strengthen Student Success in Indianapolis Public Schools*, report (2017).

<sup>11</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.

<sup>12</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation.

<sup>13</sup> ERS, *Resource Equity in IPS*, February 2016, Presentation.

<sup>14</sup> Stan Jackson, "Healthcare Discussion," interview by author, April 6, 2018.

<sup>15</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation.

<sup>16</sup> The estimates included in these projections are not to be understood as guarantees of savings. They are simply good faith estimates made based on the information received from IPS within the timeframe allowed. The Chamber recognizes that all management decisions are solely IPS' to make.

<sup>17</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.

<sup>18</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation. This calculation excludes IPS innovation schools.

<sup>19</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.

<sup>20</sup> "Transportation / Overview," Innovation Network Schools, accessed July 27, 2018, <https://www.myips.org/domain/7879>.

<sup>21</sup> Manny Mendez, e-mail, May 14, 2018.

<sup>22</sup> "Transportation / Overview," Innovation Network Schools, accessed July 27, 2018, <https://www.myips.org/domain/7879>.

<sup>23</sup> Manny Mendez, e-mail, May 14, 2018.

<sup>24</sup> Manny Mendez, e-mail, April 24, 2018.

<sup>25</sup> Scott Martin, "Operations Discussion," interview by author, March 27, 2018.

<sup>26</sup> As of 5/18/2018, the estimated SY 2017-2019 expenditure for all transportation functions was \$44.4 million.

<sup>27</sup> Scott Martin, "Operations Discussion," interview by author, March 27, 2018.

<sup>28</sup> Weston Young, *Cash Flows FY 2017-18-09 v.1.xls*, Revenues and Expenses.

<sup>29</sup> Ibid.

<sup>30</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation.

<sup>31</sup> Manny Mendez, e-mail, May 14, 2018.

<sup>32</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation.

<sup>33</sup> Manny Mendez, e-mail, May 14, 2018.

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- <sup>34</sup> Kris Turner, "Indiana Supreme Court: Schools Don't Have to Bus Students," Indianapolis Star, March 24, 2015, accessed July 27, 2018. <https://www.indystar.com/story/news/2015/03/24/high-court-constitution-require-school-bus-service/70379874/>.
- <sup>35</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation. Slide 11.
- <sup>36</sup> Manny Mendez, e-mail, May 14, 2018. One portion of the Durham contract is paid for out of the 0410 account (Transportation Fund) and the other paid out of the 0420 account (Transportation Bus Replacement Fund).
- <sup>37</sup> Manny Mendez, "Transportation Discussion," interview by author, April 5, 2018.
- <sup>38</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 39.
- <sup>39</sup> Ibid. Slide 40.
- <sup>40</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation. Slide 3.
- <sup>41</sup> Joe Gramelspacher, "Operations Discussion," interview by author, April 5, 2018.
- <sup>42</sup> Manny Mendez, e-mail, May 14, 2018.
- <sup>43</sup> An IEP is a document that public schools must develop for each student who needs special education that describes the services the student will receive and educational objectives.
- <sup>44</sup> Manny Mendez, e-mail, May 14, 2018.
- <sup>45</sup> Ibid.
- <sup>46</sup> Subtitle VII-B of the McKinney-Vento Homeless Assistance Act, reauthorized by Title X, Part C, of the No Child Left Behind Act.
- <sup>47</sup> Manny Mendez, e-mail, May 14, 2018.
- <sup>48</sup> "Homeless Student Busing Costs Mass. Districts \$11M," School Bus Fleet Magazine Forums, accessed July 27, 2018. <http://www.schoolbusfleet.com/news/683556/homeless-student-busing-costs-mass-districts-11m>. BPS is about 2 times larger in students and roughly the same geographic size as IPS.
- <sup>49</sup> "Transit Plan | Better Bus Service Keeps Coming," IndyGo, accessed July 27, 2018. <https://www.indygo.net/transitplan/>.
- <sup>50</sup> Monte Whaley, "Denver Public Schools Bus System Leaves Many Students at the Curb," The Denver Post, December 15, 2017, accessed July 27, 2018. <https://www.denverpost.com/2017/12/16/denver-public-schools-bus-system/>.
- <sup>51</sup> "Denver County School District 1, Colorado," Census Tract, Census Tract 428, Ramsey County, Minnesota, accessed August 02, 2018, <http://www.usboundary.com/Areas/Unified School District/Colorado/Denver County School District 1/511281>.
- <sup>52</sup> Urban Institute Student Transportation Working Group, Student Transportation and Educational Access, report, 2017, accessed July 27, 2018, [https://www.urban.org/sites/default/files/publication/88481/student\\_transportation\\_educational\\_access\\_0.pdf](https://www.urban.org/sites/default/files/publication/88481/student_transportation_educational_access_0.pdf). Page 15.
- <sup>53</sup> Ibid., p. 11.
- <sup>54</sup> Ibid., p. 11.
- <sup>55</sup> Ibid., p. 11.
- <sup>56</sup> Ibid., p. 12.
- <sup>57</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation. Slide 7.
- <sup>58</sup> "School Bus Fleet, January 2018," School Bus Fleet, August 2018, accessed July 27, 2018. <http://digital.schoolbusfleet.com/JAN2018#&pageSet=10&contentItem=0>.
- <sup>59</sup> David Rosenberg, ERS Consultant, email, April 27, 2018.
- <sup>60</sup> IPS, *SY 2017-18 Q3 Finance Update*, April 2018, Presentation. Slide 29.
- <sup>61</sup> Stacey Grossman, Richard Childress, Allen S. Elmore, "How to Manage Urban School Districts," Harvard Business Review, August 01, 2014, accessed July 27, 2018. <https://hbr.org/2006/11/how-to-manage-urban-school-districts>.
- <sup>62</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.
- <sup>63</sup> Ibid.
- <sup>64</sup> In the absence of a comprehensive IPS organizational chart, we made some decisions about grouping jobs together in such a way as to allow readers to understand, at a level above the particular job title, trends in employment of like groups of employees. To do this, we took particular Job Classification Descriptions and grouped them into functional groups based on the type of position we understood it to be. The decisions made to



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group certain types of jobs together for better understanding should not be viewed as definitive, but are simply for purposes of illustration.

<sup>65</sup> Chief Strategist Le Boler left IPS in June 2018. No announcement has been made as to her replacement in the position.

<sup>66</sup> Mindy Schlegel, *2017-20-21 Executive Charts*, April 20, 2018, Organization Chart.

<sup>67</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation. Slide 14.

<sup>68</sup> ERS' methodology for which positions they considered to be "central office" was not determined. While there is likely substantial overlap between the definition of central office positions between the Project Team and ERS, there are also likely significant differences. Therefore, the definitions of "central office" positions used by both groups are not exactly the same.

<sup>69</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation. Slide 10.

<sup>70</sup> Robert Enlow, "IPS Discussion," interview by author, May 7, 2018.

<sup>71</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation. Slide 15.

<sup>72</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 34.

<sup>73</sup> Laura Larimer, "IT Discussion," interview by author, April 19, 2018.

<sup>74</sup> Laura Larimer, "IT Discussion," interview by author, April 19, 2018. Paul Riley, "Discussion," interview by author, May 2, 2018.

<sup>75</sup> Jen A. Miller, "The Real Cost of Unused Software Will Shock You," CIO, January 20, 2016, accessed July 27, 2018. <https://www.cio.com/article/3024420/software/the-real-cost-of-unused-software-will-shock-you.html>.

<sup>76</sup> Laura Larimer, "IT Discussion," interview by author, April 19, 2018.

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

<sup>79</sup> Weston Young, *Innovation School Services – 11.pdf*, April 10, 2018, Innovation School Summary.

<sup>80</sup> Laura Larimer, "IT Discussion," interview by author, April 19, 2018. Scott Badger, "IT Discussion," interview by author, April 20, 2018.

<sup>81</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017, Presentation. Slide 19.

<sup>82</sup> Over time, it is believed that the innovation schools will require less administrative support.

<sup>83</sup> IPS currently has payroll self-service, but it is not well deployed at this time.

<sup>84</sup> The School Corporation of Gary, IN in April, 2018, settled outstanding debt and penalties with the IRS stemming from withholding, but not remitting, employee payroll taxes to the IRS in 2012 and 2013.

<sup>85</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.

<sup>86</sup> Le Boler, "Public Relations Discussion," interview by author, May 8, 2018.

<sup>87</sup> Ibid.

<sup>88</sup> Diana Chu, "The Cost Benefits of Switching to a VoIP Service," Telzio Blog, January 21, 2014, accessed July 27, 2018, <https://telzio.com/blog/cost-benefits-switching-voip-service/>.

<sup>89</sup> Scott Badger, "IT Discussion," interview by author, April 20, 2018.

<sup>90</sup> Migrator, "Advantages and Disadvantages of Software as a Service (SaaS)," Nibusinessinfo.co.uk, July 10, 2018, accessed July 27, 2018. <https://www.nibusinessinfo.co.uk/content/advantages-and-disadvantages-software-service-saas>.

<sup>91</sup> Scott Badger, "IT Discussion," interview by author, April 20, 2018.

<sup>92</sup> ERS, *Resource Equity in IPS*, February 2016, Presentation. Slide 13.

<sup>93</sup> Ben Scafidi, *Back to the Staffing Surge*, report, May 2017, accessed July 27, 2018, <http://www.edchoice.org/wp-content/uploads/2017/05/Back-to-the-Staffing-Surge-by-Ben-Scafidi.pdf>. Page 11.

<sup>94</sup> "School Assigned" refers those individuals with a "Location Description" of an IPS school as per the *fbdschyr2018rpt.xlsx* IPS spreadsheet provided 5/10/2018.

<sup>95</sup> Teachers are identified by the Group/Business Unit code "IEAT" in IPS' database. Certified Administrators are identified by "IASC".

<sup>96</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.

<sup>97</sup> Ben Scafidi, *Back to the Staffing Surge*, report, May 2017, accessed July 27, 2018, <http://www.edchoice.org/wp-content/uploads/2017/05/Back-to-the-Staffing-Surge-by-Ben-Scafidi.pdf>. Page 12.

<sup>98</sup> Ibid., p. 29.

<sup>99</sup> Ibid., p. 31.

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- <sup>100</sup> In this study, ERS designates Tulsa (OK), Knox County (TN), Cleveland (OH), Washington (DC), Denver (CO), and New Haven (CT) as IPS peer schools.
- <sup>101</sup> ERS, *Resource Equity in IPS*, February 2016, Presentation. Slide 12.
- <sup>102</sup> Ibid., p. 13.
- <sup>103</sup> Ibid., p. 12.
- <sup>104</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Includes individuals in “custodian” positions that are assigned to schools, those in the central office, and those assigned to the Facilities Maintenance Division.
- <sup>105</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 18.
- <sup>106</sup> Ibid., p. 19.
- <sup>107</sup> ERS actually calculated the IPS ratio for current custodial staffing as 13/1,000, perhaps including Facilities Maintenance Division (FMD) personnel.
- <sup>108</sup> Weston Young, *ADM\_Projection\_03282018.xls*, April 2018, ADM Projection.
- <sup>109</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.
- <sup>110</sup> If IPS follows this strategy, it could seek to mitigate the impact on staff by working to transition impacted employees to the contracting partner.
- <sup>111</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.
- <sup>112</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.
- <sup>113</sup> Mindy Schlegel, *Planned Positions.18-19SY.xlsx*, March 28, 2018, Position List.
- <sup>114</sup> Susan M., “A Principal Role in Education,” RAND Corporation, November 26, 2014, accessed August 02, 2018, <https://www.rand.org/blog/2014/11/a-principal-role-in-education.html>.
- <sup>115</sup> Ibid.
- <sup>116</sup> Marketplace Staff, “The High Cost of Principal Turnover,” Marketplace, accessed August 02, 2018, <https://www.marketplace.org/2014/10/30/education/high-cost-principal-turnover>.
- <sup>117</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 28. Peers districts are New Haven, Denver, Cleveland, Tulsa, Knox, Washington.
- <sup>118</sup> Ibid., slide 29.
- <sup>119</sup> Joint IPS-Indy Chamber discussion, May 2, 2018.
- <sup>120</sup> Ibid.
- <sup>121</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.
- <sup>122</sup> Mindy Schlegel, *Employees 4-23-2018.xlsx*, April 23, 2018, Employee List.
- <sup>123</sup> Fully loaded cost of \$77,140 per teacher for 2,102 teachers.
- <sup>124</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. All employees classified as in the group “TEAT” are viewed as “Certified Teachers” by IPS per Mindy Schlegel.
- <sup>125</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation. Slide 86.
- <sup>126</sup> Teacher data from *fbdschyr2018rpt.xlsx*. Student data from IPS presentation *Quarterly Finance Update – April 2018*, slide 29.
- <sup>127</sup> Ibid.
- <sup>128</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.
- <sup>129</sup> Ibid.
- <sup>130</sup> Mindy Schlegel, email, May 22, 2018.
- <sup>131</sup> Data taken from the May and June 2017 IPS Personnel Reports presented to the Board.
- <sup>132</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 13.
- <sup>133</sup> Mindy Schlegel, “HR Discussion,” interview by author, April 5, 2018.
- <sup>134</sup> IPS, *Indianapolis Public Schools Indy Chamber Follow-Up*, February 2018, Presentation.
- <sup>135</sup> Prepared remarks by Bill Gates, Co-Chair and Trustee, to the Council of Chief State School Officers, November 19, 2010.
- <sup>136</sup> IPS, *Lead\_Partner\_Proposal\_IPS (1).pptx*, May 2014, Presentation. Slide 13. Instructional coaches are certified teachers who directly support other teachers with instruction and support. They do not directly teach classes.
- <sup>137</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Page 22.

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- <sup>138</sup> Ibid., p. 23.
- <sup>139</sup> Ibid., p. 24.
- <sup>140</sup> 2018 June 14 et al., "Home," Extending the Reach of Excellent Teachers Opportunity Culture, June 14, 2018, accessed August 02, 2018, <http://opportunityculture.org/our-initiative/participating-sites/indianapolis-public-schools/>.
- <sup>141</sup> Roger Riddell, "'Opportunity Culture' Breeds Dramatic Cut in Teacher Turnover at Indianapolis School," Education Dive, May 11, 2018, , accessed August 02, 2018, <https://www.educationdive.com/news/opportunity-culture-breeds-dramatic-cut-in-teacher-turnover-at-indianapol/523295/>.
- <sup>142</sup> Mindy Schlegel, "HR Discussion," interview by author, April 5, 2018.
- <sup>143</sup> Christopher Moore, Ph.D., from Minneapolis Public Schools, "Data Analytics Discussion," interview by author, April 19, 2018.
- <sup>144</sup> Brent Freeman, "Special Education Discussion," interview by author, April 9, 2018.
- <sup>145</sup> "How Early Education Can Reduce Special Education Placements," New America, accessed July 27, 2018, <https://www.newamerica.org/education-policy/edcentral/reducing-special-education-placements-through-early-education/>.
- <sup>146</sup> Brent Freeman, "Special Education Discussion," interview by author, April 9, 2018.
- <sup>147</sup> Ibid.
- <sup>148</sup> IPS, *Superintendent's SY 2018-19 Budget Proposal*, March 2018, Presentation. Slide 9.
- <sup>149</sup> Formerly the World-Class Instructional Design and Assessment. Schools use this tool as a measure of developing English language proficiency assessments for Kindergarten through Grade 12.
- <sup>150</sup> Aleesia Johnson, "Innovation Schools Discussion," interview by author, April 19, 2018.
- <sup>151</sup> IPS, *Superintendent's SY 2018-19 Budget Proposal*, March 2018, Presentation. Slide 8.
- <sup>152</sup> Ibid., slides 8-9.
- <sup>153</sup> Increase likely due to the increase in WIDA standards for graduation from ESL programs instituted in 2016.
- <sup>154</sup> Jessica Feeser, e-mail, May 15, 2018.
- <sup>155</sup> IPS, *Superintendent's SY 2018-19 Budget Proposal*, March 2018, Presentation. Slide 64.
- <sup>156</sup> Increased to about \$1.4 million for ESL for SY 2017-2018 per Jessica Feeser.
- <sup>157</sup> "Schools across IPS Are Facing Budget Cuts. Here's How They Will (and Won't) Hit Innovation Schools," Chalkbeat, May 02, 2018, accessed July 27, 2018. <https://www.chalkbeat.org/posts/in/2018/05/01/schools-across-ips-are-facing-budget-cuts-heres-how-they-will-and-wont-hit-innovation-schools/>.
- <sup>158</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2017rpt.xls*, May 10, 2018, Employee List. Mindy Schlegel, *Fbdschyr2016rpt.xls*, May 10, 2018, Employee List.
- <sup>159</sup> Brent Freeman, "Special Education Discussion," interview by author, April 9, 2018.
- <sup>160</sup> Nathan Levenson, "Boosting the Quality and Efficiency of Special Education," September 2012, accessed July 27, 2018, <https://files.eric.ed.gov/fulltext/ED534985.pdf>. Page 10.
- <sup>161</sup> Ibid.
- <sup>162</sup> Ibid, p. 9.
- <sup>163</sup> "How Early Education Can Reduce Special Education Placements," New America, accessed July 27, 2018, <https://www.newamerica.org/education-policy/edcentral/reducing-special-education-placements-through-early-education/>.
- <sup>164</sup> David Rosenberg, ERS, e-mail, May 15, 2018.
- <sup>165</sup> Ibid.
- <sup>166</sup> Brent Freeman, "Special Education Discussion," interview by author, April 9, 2018.
- <sup>167</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Slide 46.
- <sup>168</sup> Nathan Levenson, "Boosting the Quality and Efficiency of Special Education," September 2012, accessed July 27, 2018, <https://files.eric.ed.gov/fulltext/ED534985.pdf>. Page 17.
- <sup>169</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.
- <sup>170</sup> Nathan Levenson, "Boosting the Quality and Efficiency of Special Education," September 2012, accessed July 27, 2018, <https://files.eric.ed.gov/fulltext/ED534985.pdf>. Page 21.
- <sup>171</sup> Ibid., p. 23.
- <sup>172</sup> Darren Thompson, Franklin, IN, School Board member and Process Alliance consultant, email, May 20, 2018.
- <sup>173</sup> Nathan Levenson, "Boosting the Quality and Efficiency of Special Education," September 2012, accessed July 27, 2018, <https://files.eric.ed.gov/fulltext/ED534985.pdf>. Page 10.

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<sup>174</sup> "Maintenance of Effort," Sequestration - Frequently Asked Questions, accessed July 27, 2018, [http://www.ideamoneywatch.com/main/index.php?option=com\\_content&view=article&id=59&Itemid=71](http://www.ideamoneywatch.com/main/index.php?option=com_content&view=article&id=59&Itemid=71).

<sup>175</sup> Brent Freeman, "Special Education Discussion," interview by author, April 9, 2018.

<sup>176</sup> Ibid.

<sup>177</sup> IPS, *Superintendent's SY 2018-19 Budget Proposal*, March 2018, Presentation. Slide 10.

<sup>178</sup> "The NCES Fast Facts Tool Provides Quick Answers to Many Education Questions (National Center for Education Statistics)," Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2001-2002, E.D. Tab, accessed July 27, 2018, <https://nces.ed.gov/fastfacts/display.asp?id=96>.

<sup>179</sup> Based on 2016-2017 data provided by IPS on 5/14/2018.

<sup>180</sup> Ibid.

<sup>181</sup> Jessica Feeser, "ESL Interview," interview by author, May 18, 2018.

<sup>182</sup> Ibid.

<sup>183</sup> Ibid. ESL populations are expected to remain flat or decline according to Ms. Feeser.

<sup>184</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017. Slide 6.

<sup>185</sup> Weston Young, *ADM\_Projection\_03282018.xls*, April 2018, ADM Projection.

<sup>186</sup> Ibid.

<sup>187</sup> Aleesia Johnson, "INDIANAPOLIS PUBLIC SCHOOLS FACTS & FIGURES SY 2017-18: INNOVATION," October 26, 2017, accessed July 27, 2018, [https://www.mypis.org/cms/lib/IN01906626/Centricity/Domain/10172/IPS Innovation School Facts Figures October 2017.pdf](https://www.mypis.org/cms/lib/IN01906626/Centricity/Domain/10172/IPS%20Innovation%20School%20Facts%20Figures%20October%202017.pdf).

<sup>188</sup> David Rosenberg, ERS, e-mail, April 27, 2018.

<sup>189</sup> Ibid.

<sup>190</sup> David Rosenberg, ERS, "IPS Discussion," interview by author, April 19, 2018.

<sup>191</sup> ERS, *Planning for the Future IPS School Portfolio*, April 2017. Slide 9.

<sup>192</sup> Ibid.

<sup>193</sup> Ibid.

<sup>194</sup> Ibid., slide 10.

<sup>195</sup> By way of comparison, the Pentagon, which is the largest office building in the world, is 6,500,000 square feet.

<sup>196</sup> IPS, *Reinventing IPS High Schools: Facility Recommendations to Strengthen Student Success in Indianapolis Public Schools*, report (2017). As discussed elsewhere, the IPS student population is shifting away from District-run schools towards innovation schools, including schools which have a charter.

<sup>197</sup> Ibid., p. 8.

<sup>198</sup> Ibid., p. 9.

<sup>199</sup> Ibid., p. 5.

<sup>200</sup> Ibid., p. 4.

<sup>201</sup> Ibid., p. 24.

<sup>202</sup> Three innovation schools operate in non-IPS facilities

<sup>203</sup> This figure assumes Broad Ripple High School remains closed, it does not include Howe and Manual (and that the schools are not re-opened once the takeover operator, CSUSA, completes its contract).

<sup>204</sup> Weston Young, *IPS 2017 Fall ADM PK-13 Facilities Utilization (for Publication)*, February 7, 2018, ADM Projection.

<sup>205</sup>  $31,429 \times 110\% = 34,572$

<sup>206</sup> While this process should focus on reducing the total number of seats in the District, it might require opening new facilities while closing others to accommodate the geographic location of the student population. The charter school sector has demonstrated that adaptive reuses of commercial facilities can be serviceable for education purposes, a strategy IPS might consider if existing facilities are not in the appropriate locations.

<sup>207</sup> This process assumes IPS is legally permitted to sell instructional facilities.

<sup>208</sup> \$21,220,494/8,412,121 sf

<sup>209</sup> 8,471,121 sf/390 employees (custodians and FMD trade and related staff)

<sup>210</sup> Roundtable interview with IPS teachers, May 17, 2018. For example, IPS employs multiple painters. In school staff mentioned their experience that sometimes facilities are painted that do not need to be painted, while others mentioned peeling paint in IPS rooms that haven't been painted in a long time, or whose more-recent painting is not wearing well.

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<sup>211</sup> IPS, *Reinventing IPS High Schools: Facility Recommendations to Strength Student Success in Indianapolis Public Schools*, report (2017)

<sup>212</sup> IPS, *exp history 2016-ytd2018 utilities.xlsx*

<sup>213</sup> Ibid.

<sup>214</sup> Shiel Sexton deferred maintenance report

<sup>215</sup> “IPS hoped to sell Broad Ripple High School for millions, but legislature put that plan on hold” IndyStar, March 15, 2018

<sup>216</sup> This requirement does not apply to facilities owned by districts but not used for instruction.

<sup>217</sup> Broad Ripple Village Association leadership, “Future of Broad Ripple High School,” interview with author, April 24, 2018

<sup>218</sup> IndyStar, “IPS hoped to sell Broad Ripple High School for millions, but legislature put that plan on hold” March 15, 2018.

<sup>219</sup> Broad Ripple High School Memo, May 2018;

<sup>220</sup> While not a legal opinion, it is conceivable that a new parcel, with no physical structure on it, could be deemed as a non-instructional facility and therefore the \$1 law would not be applicable.

<sup>221</sup> Eric Weddle, “Educators Picked To Design 4 More ‘Innovation’ Schools For Indianapolis Public Schools,” WFYI Public Media, May 24, 2018, accessed August 03, 2018, <https://www.wfyi.org/news/articles/educators-picked-to-design-4-more-innovation-schools>.

<sup>222</sup> IPS document “ADM Official Final w Turnaround for Budget Draft 20180503”

<sup>223</sup> However, some funds are “locked” when delivered to the innovation schools, which limits its use of the dollars.

<sup>224</sup> Scott Bess, “Innovation Schools,” interview by author, April 4, 2018. Access to students can come from internal IPS marketing opportunities, as well as “attendance zones” that charter schools could not otherwise establish.

<sup>225</sup> Estimates suggest the pipeline has four potential schools for 2019-20 and two more for 2020-21.

<sup>226</sup> Responses to this question were further muddled as some see a 50/50 split among schools, while others see it as a split of the student population.

<sup>227</sup> Herron High School per student reimbursement vs. Phalen Leadership Academy tuition support payment.

<sup>228</sup> Some innovation schools pay rent for IPS facilities that covers capital and maintenance services; therefore, the issue of minimum occupancy is not as relevant.

<sup>229</sup> Aleesia Johnson, “Innovation Schools Discussion,” interview by author, April 19, 2018

<sup>230</sup> Ibid.

<sup>231</sup> IPS and APEX have provided data that suggest annual healthcare costs have ranged from \$31M per year to \$35M per year. The most complete data suggest that last year’s annualized costs were about \$35M.

<sup>232</sup> The District’s insurance carriers (previously Anthem and now UHC) also monitor duplicate coverage, other coverage and continued proof of mental or physical disability for covered dependents.

<sup>233</sup> A multi-function device (“MFD”) is a product or device that has multiple functions. An example of this might be a printer that also makes copies, faxes, and scans.

<sup>234</sup> Scott Bess, “Innovation Schools,” interview by author, April 5, 2018

<sup>235</sup> Dena Bond, “Food Services,” interview by author, April 26, 2018

<sup>236</sup> It should be noted, there are likely other areas that IPS can explore in the fee-for-service/partnerships area. The limited time frame of this project exposed a limited number, but undoubtedly many more remain.

<sup>237</sup> Valerie Hunt, *Top 20 Vendors – services/commodities.pdf*, April 25, 2018, List of Contractors.

<sup>238</sup> Brandon Brown, “IPS Issues,” interview by author, April 6, 2018.

<sup>239</sup> Mindy Schlegel, *Fbdschyr2018rpt.xls*, May 10, 2018, Employee List.

<sup>240</sup> ERS, *Preliminary Financial Analysis and Implications*, December 2015, Presentation. Page 21.

<sup>241</sup> Dena Bond, “Food Service,” interview by author, April 26, 2018

<sup>242</sup> The first federal funds for school food arrived to IPS in the early to mid-1960s.

<sup>243</sup> Dena Bond, email, May 9, 2018

<sup>244</sup> While the food service program will pay to rent a central processing site, it will not pay to construct one.

<sup>245</sup> CEP allows for all students to be treated as “free” but does not pay reimbursement at that rate for all students. However, IPS realizes savings by not administering eligibility for the program on a per-student basis.

<sup>246</sup> Richard B Russell National School Lunch Act of 1966

<sup>247</sup> The amount of savings modeled represents approximately 70% of the total possible savings initially calculated by the Project Team.